



Digitized by the Internet Archive
in 2022 with funding from
University of Toronto

<https://archive.org/details/31761115481590>



157

Government
Publications

F-1

F-1

ISSN 1180-4386

Legislative Assembly of Ontario

First Session, 37th Parliament

Assemblée législative de l'Ontario

Première session, 37^e législature

Official Report of Debates (Hansard)

Thursday 4 November 1999

Journal des débats (Hansard)

Jeudi 4 novembre 1999

**Standing committee on
finance and economic affairs**

**Comité permanent des finances
et des affaires économiques**

Organization

Organisation



Chair: Marcel Beaubien
Clerk: Tom Prins

Président : Marcel Beaubien
Greffier : Tom Prins

Hansard on the Internet

Hansard and other documents of the Legislative Assembly can be on your personal computer within hours after each sitting. The address is:

<http://www.ontla.on.ca/>

Index inquiries

Reference to a cumulative index of previous issues may be obtained by calling the Hansard Reporting Service indexing staff at 416-325-7410 or 325-3708.

Copies of Hansard

Information regarding purchase of copies of Hansard may be obtained from Publications Ontario, Management Board Secretariat, 50 Grosvenor Street, Toronto, Ontario, M7A 1N8. Phone 416-326-5310, 326-5311 or toll-free 1-800-668-9938.

Le Journal des débats sur Internet

L'adresse pour faire paraître sur votre ordinateur personnel le Journal et d'autres documents de l'Assemblée législative en quelques heures seulement après la séance est :

Renseignements sur l'index

Adressez vos questions portant sur des numéros précédents du Journal des débats au personnel de l'index, qui vous fourniront des références aux pages dans l'index cumulatif, en composant le 416-325-7410 ou le 325-3708.

Exemplaires du Journal

Pour des exemplaires, veuillez prendre contact avec Publications Ontario, Secrétariat du Conseil de gestion, 50 rue Grosvenor, Toronto (Ontario) M7A 1N8. Par téléphone : 416-326-5310, 326-5311, ou sans frais : 1-800-668-9938.



LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
FINANCE AND ECONOMIC AFFAIRSCOMITÉ PERMANENT DES FINANCES
ET DES AFFAIRES ÉCONOMIQUES

Thursday 4 November 1999

Jeudi 4 novembre 1999

The committee met at 1008 in room 151.

ELECTION OF CHAIR

Clerk of the Committee (Mr Tom Prins): Good morning, ladies and gentlemen. Honourable members, it's my duty to call upon you to elect a Chair. Are there any nominations?

Mr Ted Arnott (Waterloo-Wellington): I move the name of Marcel Beaubien as Chair.

Clerk of the Committee: Are there any further nominations? There being no further nominations, I declare the nominations closed and Mr Beaubien be elected Chair.

ELECTION OF VICE-CHAIR

Clerk of the Committee: Honourable members, it's my duty to call upon you to elect a Vice-Chair. Are there any nominations?

Mr Jerry J. Ouellette (Oshawa): I'll nominate Doug Galt as Vice-Chair.

Clerk of the Committee: Are there any further nominations? There being no further nominations, I declare the nominations closed and that Mr Galt be elected Vice-Chair.

ELECTION OF ACTING CHAIR

Clerk of the Committee: Honourable members, it's my duty to call upon you to elect an Acting Chair. Are there any nominations?

Mr Gerry Phillips (Scarborough-Agincourt): I nominate Mr Arnott.

Clerk of the Committee: Are there any further nominations? There being no further nominations, I declare the nominations closed and that Mr Arnott be elected Acting Chair.

APPOINTMENT OF SUBCOMMITTEE

The Acting Chair (Mr Ted Arnott): It is our responsibility now to select a subcommittee of this committee,

and I would invite the respective caucuses to put forward a name to represent them at the subcommittee.

Mr Monte Kwinter (York Centre): I move that a subcommittee on committee business be appointed to meet from time to time at the call of the Chair, or at the request of any member thereof, to consider and report to the committee on the business of the committee; that the presence of all members of the subcommittee is necessary to constitute a meeting; and that the subcommittee be composed of the following members:... as Chair; Mr Skarica; Mr Christopherson; and Mr Phillips; and that substitutions be permitted on the subcommittee.

The Acting Chair: Any discussion?

Mr David Christopherson (Hamilton West): I have a question. It's not a big deal, but in the past, every other one that I've been on, we've had the Chair of the standing committee chair the subcommittee and then there were three reps on top—

Mr Kwinter: It's confusing because it says, "The Chair as Chair." The Chair wasn't mentioned in this resolution, but the chair as the Chairman of the subcommittee, and then Mr Skarica and Mr Christopherson and Mr Phillips.

Mr Christopherson: OK. The way it was worded, it sounded like there were three and one was the Chair.

Mr Phillips: It says, "The Chair as Chair."

Mr Christopherson: OK, that's fine.

Mr Kwinter: "The Chair as Chair"—that's why the confusion.

The Acting Chair: Any other discussion on the motion?

We'll move now to a vote. All in favour of Mr Kwinter's motion? Those opposed? Carried.

Is there any other business that members wish to raise?

Mr Phillips: How about the pay of the Chair? I mean, do you get paid for the day?

The Acting Chair: Not today. I'll adjourn the meeting. Thank you very much.

The committee adjourned at 1011.

CONTENTS

Thursday 4 November 1999

Election of Chair	F-1
Election of Vice-Chair.....	F-1
Election of Acting Chair	F-1
Appointment of subcommittee.....	F-1

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Chair / Président

Mr Marcel Beaubien (Lambton-Kent-Middlesex PC)

Vice-Chair / Vice-Président

Mr Doug Galt (Northumberland PC)

Mr Ted Arnott (Waterloo-Wellington PC)

Mr Marcel Beaubien (Lambton-Kent-Middlesex PC)

Mr David Christopherson (Hamilton West / -Ouest ND)

Mr Doug Galt (Northumberland PC)

Mr Monte Kwinter (York Centre / -Centre L)

Mrs Tina R. Molinari (Thornhill PC)

Mr Gerry Phillips (Scarborough-Agincourt L)

Mr Toni Skarica (Wentworth-Burlington PC)

Substitutions / Membres remplaçants

Mr Jerry J. Ouellette (Oshawa PC)

Clerk / Greffier

Mr Tom Prins

Staff / Personnel

Mr David Rampersad, research officer, Legislative Research Service



ISSN 1180-4386

**Legislative Assembly
of Ontario**

First Session, 37th Parliament

**Assemblée législative
de l'Ontario**

Première session, 37^e législature

**Official Report
of Debates
(Hansard)**

Thursday 9 December 1999

**Journal
des débats
(Hansard)**

Jeudi 9 décembre 1999

**Standing committee on
finance and economic affairs**

Subcommittee reports

**Comité permanent des finances
et des affaires économiques**

Rapports du sous-comité

Hansard on the Internet

Hansard and other documents of the Legislative Assembly can be on your personal computer within hours after each sitting. The address is:

<http://www.ontla.on.ca/>

Index inquiries

Reference to a cumulative index of previous issues may be obtained by calling the Hansard Reporting Service indexing staff at 416-325-7410 or 325-3708.

Copies of Hansard

Information regarding purchase of copies of Hansard may be obtained from Publications Ontario, Management Board Secretariat, 50 Grosvenor Street, Toronto, Ontario, M7A 1N8. Phone 416-326-5310, 326-5311 or toll-free 1-800-668-9938.

Le Journal des débats sur Internet

L'adresse pour faire paraître sur votre ordinateur personnel le Journal et d'autres documents de l'Assemblée législative en quelques heures seulement après la séance est :

Renseignements sur l'index

Adressez vos questions portant sur des numéros précédents du Journal des débats au personnel de l'index, qui vous fourniront des références aux pages dans l'index cumulatif, en composant le 416-325-7410 ou le 325-3708.

Exemplaires du Journal

Pour des exemplaires, veuillez prendre contact avec Publications Ontario, Secrétariat du Conseil de gestion, 50 rue Grosvenor, Toronto (Ontario) M7A 1N8. Par téléphone : 416-326-5310, 326-5311, ou sans frais : 1-800-668-9938.



LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
FINANCE AND ECONOMIC AFFAIRSCOMITÉ PERMANENT DES FINANCES
ET DES AFFAIRES ÉCONOMIQUES

Thursday 9 December 1999

Jeudi 9 décembre 1999

The committee met at 1006 in room 151.

SUBCOMMITTEE REPORTS

The Chair (Mr Marcel Beaubien): If I can get your attention, we'll bring the meeting to order. It's five after 10. I like to call meetings on time.

The purpose of the meeting this morning is, we have two subcommittee reports that we have to look at. One is December 2 and the other one's December 6. Does someone want to move the December 2 subcommittee report?

Mr Monte Kwinter (York Centre): I move acceptance of the subcommittee report of December 2, 1999.

Mr Doug Galt (Northumberland): I guess I can second that.

Mr Kwinter: Do you want me to read it into the record?

"Report of the subcommittee, re pre-budget consultations.

"The subcommittee met on Thursday, December 2, 1999, and agreed to the following:

"(1) That the Minister of Finance be offered 60 minutes in which to make a presentation. Following this presentation, the three parties will each be offered 30 minutes to ask questions and make statements;

"(2) That staff from the Ministry of Finance be offered 60 minutes in which to make a presentation. Following this presentation, the three parties will each be offered 20 minutes to ask questions and make statements;

"(3) That the Chair should immediately forward to the three House leaders the committee's request to meet during the upcoming recess. Specifically, the committee would like to meet from January 31 to February 4, February 7 to 11 and from March 6 to 9;" I assume we should also add in here "2000."

"(4) That the committee intends to travel to Kenora, Timmins, Chatham, Bracebridge and Brockville;

"(5) That an advertisement will be placed for one day in the major paper of each of the cities to which the committee intends to travel. Advertisements will be placed in both English and French papers, if possible. An advertisement will also be placed on the Ontario Parliamentary Channel and on the committee's Internet page;

"(6) That January 6, 2000, at 5 pm will be the cut-off time for people to contact the committee clerk to request an opportunity to appear before the committee;

"(7) That the deadline for written submissions is January 31, 2000;

"(8) That each party will provide the clerk with a prioritized list of four expert witnesses. The clerk will attempt to schedule the two highest priority witnesses from each list;

"(9) That the method of scheduling will be decided at a later date;

"(10) That the Chair, in consultation with the clerk, will make any other decisions necessary to facilitate these committee hearings."

The Chair: You've heard the motion. Discussion on the motion?

Mr Galt: A couple of questions, if I may, Mr Chair: Is it the intent that the minister would appear before the committee on January 31, that Monday? Is that the way it would kick off?

The Chair: That's the intent, yes. The minister would be allowed an hour to make a presentation.

Mr Galt: On the length of time, I'm not really arguing or attempting to debate it. Just going by other committees heading off on hearings on a bill, usually it isn't that extensive with the minister. A 60-minute speech and then three 20-minute question periods, that's two hours. Do we need that much time? I guess the subcommittee thought so, but I'd just like to hear what your thinking was.

Mr Kwinter: I have sat on this committee now for 10 years and what has been the practice is that the minister comes in and makes his statement. Notwithstanding that there's an hour assigned, he can decide to speak for 10 minutes or an hour and a half really. It's his call.

Then after that, the ministry officials make their presentation, and it's usually accompanied by a slide show where they put up graphs. They do their predictions, really, of what's going to happen to the economy, what's happening. That takes place and sometimes that goes on for some time. It gives everybody a chance to question their suppositions and to find out where they are.

What that does is really set the stage when we get our expert witnesses in, because you have the Ministry of Finance saying, "This is what we think is going to happen in the upcoming year." Then you get the econ-

omists and the banks. They come in and they tell you what they think, and you use the ministry projections to see where the variances are.

This time is allotted, but it isn't that you must speak for that long. It's really at the discretion of the presenters and of the committee.

Mr Galt: So it's really more a limit on the time that can be consumed. I said the minister 60 minutes and then the responses 20. Actually I was mixing the two—

Mr Kwinter: It's really just an opportunity to try to manage the time and to say, "This is what we think." But it isn't like in the House where the Speaker stands up and says, "Your time has elapsed," and that's it.

Mr Galt: OK. Then I see we're travelling. Is that the second week we'd be on the road for those five communities, or have any dates been placed beside the communities? Is it the first week in Toronto, second week on the road?

The Chair: That's correct, Mr Galt. I don't have the specific dates with me here as to the locations. I think we still have to firm up the travel arrangements on that, but it's the intent to be in Toronto the first week and to be on the road the second week.

Mr Toni Skarica (Wentworth-Burlington): I wonder if I could just propose some amendments to the report, dealing first of all with December 2, 1999, paragraph (4), "That the committee intends to travel to Kenora, Timmins, Chatham, Bracebridge and Brockville."

I've discussed it with the Ministry of Finance officials and they feel there is no representation at all from outside of—well, there's Toronto and then there's northern and western Ontario and eastern Ontario, but they felt that perhaps we should go into the Niagara area, somewhere in southern Ontario. So I'm suggesting, instead of Bracebridge, Niagara Falls.

The Chair: Are you proposing an amendment to the—

Mr Skarica: Yes, to (4).

The Chair: You're moving that?

Mr Skarica: Yes, I move that.

The Chair: To delete "Bracebridge" and—

Mr Skarica: To delete "Bracebridge" and to have "Niagara Falls."

The Chair: Is there a seconder for that? No. Any discussion on the amendment?

Mr Galt: I would ask the question, why was Bracebridge a consideration in the first place?

Mr Kwinter: If I can respond, even though I'm not a member of the subcommittee, I happened to sub in at that subcommittee when this discussion took place. When the decision was made to visit these places, it was felt that there is a constant feeling that the economy is booming in Ontario, and it is, but there was also a feeling that not all areas of the province are seeing the benefits of it. Notwithstanding that Toronto in particular and some of the major centres are seeing very, very buoyant economies, some of these other areas aren't. It was felt that so that

we don't get a skewed view of what's happening, we should go out and see these communities.

These were arbitrary, really. It was a matter of taking a look at regions of the province where members felt there could be some interesting input from the people as to what they are experiencing and what their concerns are. Bracebridge was chosen because it's an area that is the near north, outside of the 905. That was why, and it was arbitrary. You could argue any way you want to, whether Bracebridge or Niagara. That was really the rationale for it.

Mr Skarica: The Ministry of Finance feels there is already representation from northern areas and nothing from southern Ontario. Niagara Falls is suggested as a good location because it's near Welland and Hamilton, which really haven't benefited as much as many of the areas of the province have.

The Chair: Any further discussion?

Mr Kwinter: I have no problem with that at all. As I say, these locations, to my mind, were arbitrary, just to get representation in certain parts of the province. I would have no problem with that.

The Chair: Mr Skarica has proposed an amendment to the report of the subcommittee of December 2, deleting "Bracebridge," to be replaced with "Niagara Falls." All those in favour of that?

Mr Kwinter: Can I suggest that we hear from the representative of the NDP because he was party to this discussion and he may have some input.

Mr Skarica: Perhaps I can explain.

The Ministry of Finance people reviewed the places we were going to and they felt that Niagara Falls would be a better pick than Bracebridge. We don't have anything from southern Ontario and it's close to Welland and Hamilton, which have not benefited from the economic boom in Ontario as other places have.

Mr David Christopherson (Hamilton West): Sorry, Niagara Falls instead of Bracebridge?

Mr Skarica: Yes.

Mr Christopherson: Let me throw something at you to have considered on the table and maybe we can do a quid pro quo here.

I found out afterwards—I meant to speak to you, Chair, in the House yesterday and I apologize. I got distracted and by the time I became aware I needed to talk to you, you were gone because the House was adjourned.

I didn't find out until just the other day that our staff had been planning our caucus retreat during a period of time that overlaps when the committees were planning to meet. It would be most helpful, given that I'm the caucus House leader and it's virtually impossible to do a retreat without the House leader, if we could move the two days, the Thursday and Friday, to some other time period that would allow me to attend that caucus retreat, because all of the other plans fit except me. I'm the problem now.

Mr Skarica: Which days?

Mr Christopherson: February—I don't have a calendar—10 or 11. It's that weekend and the Thursday, Friday.

Mr Skarica: What are you suggesting?

Mr Christopherson: I'm open to anything outside of that. It's just those two days.

The Chair: Before we go any further, since we have an amendment on the floor, can we vote on the first one and then we'll come back to yours, Mr Christopherson?

Mr Christopherson: I was hoping we could sort of do a sidebar here and cut a deal and then we could do quick votes that cover both. I just left the House leaders' meeting so I'm in a deal-making mood.

Mr Skarica: I would agree on behalf of the government side to agree to that changing of the dates, regardless of your position on the other matter.

Mr Christopherson: I appreciate that and, quite frankly, I don't have a problem with the switch in location from Bracebridge to Niagara Falls.

The Chair: On the first amendment, all those in favour of substituting Niagara Falls for Bracebridge, please indicate in favour. Opposed, there's none. It's unanimous. So paragraph 4 will be amended.

Now, Mr Christopherson, you're suggesting that February—we don't have the exact date. I don't have a calendar either.

Mr Christopherson: Probably 10 and 11, I think. Seven to 11, Tom, was Monday to Friday?

The Chair: So you need the 10th and 11th for your caucus retreat, and you're suggesting we should move it to the following week?

Mr Christopherson: Whatever works. I'm very flexible, obviously.

The Chair: Can we leave the clerk—it's going to depend on the travel. Can we make the arrangements to have the other two dates and we'll let you know?

Mr Skarica: Perhaps to clarify, we're in Toronto, then, on January 31 to February 4?

The Chair: That's correct.

So there's an amendment to change February 10 and 11 to some undecided date. That's pretty vague but I think that's about the best I can do.

Mr Galt: Should it be decided at this meeting rather than just leave it float?

Mr Christopherson: If we're all comfortable, we can leave it to the Chair to work with the clerk.

Mr Galt: The only concern I have is I have two other committees at least that I'm juggling with and there may be a third for me to work on this winter. The sooner I know what it's going to be, the better. I need it nailed down. That's all I'm asking.

The Chair: I can appreciate that.

Mr Galt: I don't mind the shift here. Actually it may be helpful for the other responsibilities I have.

The Chair: I can have the clerk get in touch with you, probably as early as Monday. It's just a matter of making the proper travel arrangements for the next two days. The following week probably—

Mr Galt: The following Monday and Tuesday would be just fine.

The Chair: Would that be OK?

Mr Christopherson: I believe so, yes.

The Chair: Would that be OK, Mr Kwinter?

Mr Kwinter: Yes, fine.

Mr Skarica: I point out that the minister isn't available January 31. He would be available on February 1, so the committee knows this. If he's going to make a presentation, it would be the following day, if that works. We could have a start on the February 1—

Mr Kwinter: Just following up on my comments earlier, I really think it's critical that the hearings start with the minister. I have no problem when it does, but I think he should be there at the beginning, and not come the second day.

1020

Mr Skarica: Let's start February 1 then.

The Chair: Mr Skarica, are you moving that we start February 1, as opposed to January 31, and are you also moving that we change the February 10 and 11 to February 14 and 15?

Mr Skarica: Correct. We probably need an extra day, then, if we're starting a day later. What day is February 4?

The Chair: February 4 is a Friday.

Mr Skarica: How do you want to arrange that? That's only four days in Toronto.

Mr Christopherson: I was going to ask a question, if I can, to Tom.

We have six expert witnesses. Do we have enough sort of formal part of what we were doing as pre-hearing work in terms of presentations that would take up the Monday, and then do the minister the next morning, or do we have a gap there and how big a gap do you think, roughly?

The ministry, Monte, could still do its presentation, right? Whether we have the ministry first or the minister first doesn't matter, as long as we do both before we start hearings.

The Chair: On the second sheet, the December 6 meeting, item 5 gives us some flexibility: "The expert witnesses will be offered 60 minutes." I think that may answer your concern there.

Mr Christopherson: Tom, are we going to be able to complete all the presentations—the minister, expert witnesses and everything—by the end of business day one?

Clerk of the Committee (Mr Tom Prins): The committee can set its own time schedule, when it starts and when it ends, so we can.

Mr Christopherson: No, that's not my question. It's fine to point to this 60 minutes. That tells me there's four hours, and then we were going to give the ministry staff—how much time was it?—another hour, and then an hour's response, which is six hours. If we normally sit seven hours a day, maybe—five or six—my point is that it may not make a difference. We'll just switch it. We're not going to be into regular presentations until Tuesday anyway, by the looks of it. If that's the case, all we're doing is juggling within the framework of initial presentations, as opposed to hearing from witnesses, correct?

Clerk of the Committee: If I can clarify for myself, you're talking about possibly putting the expert witnesses on the first day, the six of them for an hour, so six hours of expert witnesses on the first day, and then hearing from the minister and ministry staff on the second day?

Mr Christopherson: This shouldn't be complicated. It's probably me; I confess that. Nonetheless, you're stuck with making sure I understand before we can move on. Sorry.

If the minister was going to speak the first day, I'm just asking that given the number of expert witnesses and presentations and ministry staff we were going to have anyway, this may not be a huge problem. I agree with Monte that we definitely want to hear from the minister before we get into public presentations. I was just asking whether a switch of the minister to the end of that might accommodate the same thing, use up the same amount of time. So yes, we would do the expert witnesses and the ministry staff. That would take up Monday regardless, right? Then we'd do the minister first thing Tuesday morning and then get into our responses to the minister, and then witnesses. We haven't really lost anything.

Mr Kwinter: You weren't here when I talked about what I think the structure should be. To me, the expert witnesses are the public. The only reason they get greater attention is because they are experts, supposedly. I think it's critical that we hear—I don't care whether the ministry comes first and the minister comes second, but they've got to come together, because what really happens is the ministry are doing their work now. They're doing their projections and they're getting ready for the budget. We have to know where they are because they're well along the way. What they basically do is that the minister comes in and gives a state of the economy address, tells you what he thinks is happening and where they're going, and then the ministry people come in and back it up. They give you a handout of their slides and they do a projection and you can ask them about that.

Then that is used as the benchmark to hear the expert witnesses come in and say, "Here's what we think is going to happen." Invariably, you'll have the Bank of Nova Scotia being probably the most conservative, and then you'll have some of these consultants being the most aggressive as to where the economy is going to go. What you have to do is be able to weigh that against what the ministry people are saying, because you have to figure out who is right and who is wrong.

It's important that we get them first. Whether the minister comes in the afternoon and the officials come in the morning I don't think is of any consequence. If he's going to be available that day, he's going to be available morning or afternoon.

The Chair: We should be able to find out. There's a fairly easy resolution to this thing, because everybody is agreeable as to the date—maybe not the date but the time. I think it's just a matter of setting the date. If we move a motion that instead of starting from January 31, we move it to February 1, I don't think anybody has any

problem. It's just a matter of slotting another date somewhere in there.

Mr Skarica: I was going to suggest February 16. Can we do that? I have a calendar here.

Mr Galt: The 14th, 15th and 16th?

Mr Skarica: That would be three days.

Mr Christopherson: Are you looking at moving that whole week?

Mr Skarica: No, just adding the 16th, because we're already sitting on the 14th and 15th.

The Chair: The following week, to switch the two dates that you've requested.

Mr Christopherson: Yes.

Mr Skarica: The following week after your retreat. Would that be all right?

Mr Christopherson: That's fine, because they're hearing from the public in the Toronto area, right? Those are Toronto public hearings?

Mr Skarica: Yes.

The Chair: So we would break it in two.

Mr Christopherson: That works.

Mr Galt: To put it in perspective, what I'm hearing is we'll sit from the 1st to the 4th, the 7th to the 9th and the 14th to the 16th, inclusive.

The Chair: That's my understanding.

Mr Galt: That's fine by me.

The Chair: Who's going to move this? Mr Galt?

Mr Galt: Do you need it as an amendment?

The Chair: It is an amendment to the minutes, so we'll be voting on the amendment, which is the first—

Mr Skarica: Is it the 6th to the 9th?

Mr Galt: Oh yes, I guess that's still in place. That's not being scrapped. That wasn't my intent, so add March 6 to 9.

Mr Skarica: March 9, there will be no witnesses there.

Mr Christopherson: We may end up going less than that time, but we gave ourselves that amount of time to do committee preparation. We suspect we will be done sooner.

Mr Ted Arnott (Waterloo-Wellington): For writing the report?

Mr Christopherson: Yes. Ultimately it's likely we'll end up with a majority report and a couple of minority reports. You don't think so, Ted? God, you're optimistic.

The Chair: Another point I would like to bring to your attention is that we had given the researcher two weeks to write the report. That will cut one week off, so we're going to have to push that another week down. I don't know which point it is, but that's another number we'll have to amend.

Anyway, a vote on the amendment changing the date:

All those in favour? Opposed? That's carried unanimously.

The next item: We might as well deal with the report, because we are changing the date of the report.

Mr Galt: On March 6 to 9, have we decided? I'm sorry—

The Chair: No.

Mr Galt: You brought in the complication there and I'm not just sure where we're at with that date, March 6 to 9. Are we leaving it in the same week or are we shifting it?

The Chair: We're not talking about March; we're talking about February.

Mr Galt: Yes, but you commented on—does that amendment include March 6 to 9? Then you said we needed two weeks to write the report.

The Chair: No, my understanding of the amendment is that we've changed January 31 to February 1. We'll be sitting here the 1st, 2nd and 3rd, and the 4th, I guess. We will be travelling on the 7th, 8th and 9th. Then we'll be travelling the 14th and the 15th, coming back to Toronto on the 16th.

1030

Mr Galt: Right, and March 6 to 9 remains.

The Chair: Where do you get March 6?

Mr Galt: The bottom line of item (3).

The Chair: OK, that would remain the same

Mr Galt: OK, I just wanted clarification there. Good.

Mr Christopherson: So 1st to 4th inclusive; 7th to 9th inclusive; 14th to 16th inclusive; and March 6 to 9 inclusive, correct?

The Chair: Yes. What about the report? Any further discussion on this particular report? Let's make it easy.

Mr Galt: Just one comment, Mr Chair. We're on the road, we're travelling. That's good and bad. I can understand the debate that went into it. We've also said no to paying any expenses. Any consideration given to a conference phone, a speaker phone in the room, so that if somebody is in Renfrew or Timbuktu and would like to make a presentation—I, for one, think that we should be using some modern technology. We don't have to have the person always in the room.

Video conferencing is not that difficult, but maybe we're not set up here for it. I, for one, would like to start moving into this century with technology and taking advantage of something as simple as a speaker phone.

Mr Christopherson: Without getting into too much of a debate on this, because there is a question on our side as to motivation here—and I hear you, Doug—we've been through this in the past Parliament. It was quite controversial and caused a lot of consternation, if you recall.

My first-blush response would be that certainly if we wanted to look at reserving one or two slots while we're in the northern locations to accommodate people who may be even further flung—the problem is, I'm not sure how much access there is as you go further north or further afield from Kenora or Timmins, but in those cases it would make sense.

If we're in any of the southern communities, I don't think there's a rationale for it. It's usually driveable for most.

Mr Kwinter: Let me tell you the reality of these hearings. What usually happens is that the proponent of a point of view comes forward, will have a prepared text, will hand it out, and in most cases all you really do is

hear them read it. If there is time at the end, you get a chance to ask one or two questions, and that's it. In many of the cases there is no time. They just read the report, it takes up the allotted time, and that's it. You really have a situation where if you're going to get involved in the so-called modern technology so that you can watch somebody read it as opposed to having it read, it makes no sense. There isn't a great deal of opportunity for interaction.

We've had situations where someone would come and speak for a minute and then we use their 14 minutes asking questions, but usually the case is that they take up a good part of their time and you get a chance to ask them one question, one round—everybody gets a chance to ask one question.

So I understand what you're saying, but the reality of the situation is that you're going to go to an incredible amount of expense for really very little change in what can happen.

Mr Galt: Just for a second and I don't want to belabour or debate, in the example being used of Kenora, if somebody is in Thunder Bay, that's still a fair drive. Maybe a little flexibility could be left with the Chair and the clerk that if one of these situations arises they can make a decision on it. You're talking about the expense for a phone. I'm thinking about the expense for a person to drive from Thunder Bay to Kenora. We really shouldn't screen out somebody in Thunder Bay that would like to make a presentation. That's my kind of thinking.

Mr Christopherson: That's why I was open to the notion, providing that we say OK, it's in these northern two communities. Then we could go and reserve one or two spots to try to accommodate someone who otherwise couldn't be there. What I didn't want to get into—and I'm fine with that, notwithstanding Monte's concerns.

Where I would have a problem is if, say, we were in Niagara Falls and you wanted to do that in lieu of having people come in. I think in that case we start to get into a debate about what's really going on here. But in the north you're being very inclusive by doing that, again providing that no one ever thinks that we can completely replace being in the community with video technology, which we've done here before and was not very effective. To state it again: One or two spots in each of the northern locations reserved for some type of electronic communications to allow someone who otherwise couldn't make a presentation because of distance I think is a good move.

Mr Galt: I'm comfortable to leave it that way without a vote or anything.

The Chair: I would also like to point out that anyone can make a written submission to the committee. Is there any further discussion on the minutes in front of the members?

Mr Christopherson: Both?

The Chair: No, just the one, December 2.

Mr Christopherson: One question: The 60 minutes from the staff—oh, that's fine. No, it's on the next one. Fine.

The Chair: If there's no further discussion, then I would entertain a vote on the amended—

Mr Skarica: Can I ask one further question. The advertisements in paragraph 5, who pays for those? Is it Legislative Assembly?

The Chair: Yes.

Mr Skarica: Fine.

The Chair: All those in favour of the amended minutes in front of you? Opposed? It's carried unanimously.

We'll go to the minutes of December 6. Could someone move it?

Mr Kwinter: I move adoption of the report of the subcommittee, which met on Monday, December 6, 1999, and agreed to the following:

"(1) That each of the three parties will provide the clerk with a list of four expert witnesses on or before December 16, 1999;

"(2) That on January 7, 2000, the clerk will supply each of the three parties with a list of all of the potential witnesses who have requested to appear before the committee;

"(3) That each party will supply the clerk of the committee with a prioritized list of the names and phone numbers of the deputants that they would like to hear from in any given location. These deputants must be selected from the original list distributed by the clerk to the subcommittee members. The list provided by each party will be provided to the clerk by January 14, 2000;

"(4) The clerk will schedule witnesses from the prioritized lists provided by each of the three parties. Each party is entitled to select the same number of witnesses;

"(5) That expert witnesses will be offered 60 minutes in which to make a presentation, groups will be offered 30 minutes in which to make a presentation, and individuals will be offered 15 minutes in which to make a presentation. The Chair and/or the subcommittee may modify these times;

"(6) That if all groups can be scheduled in a given location the clerk can proceed to schedule all interested parties and, therefore, no party list is required for that location;

"(7) That the research officer will send out a draft report to committee members on February 25, 2000;

"(8) That the newspaper advertisement will be sent out as soon as possible after the committee meeting on December 9, 1999;

"(9) That witnesses' expenses will not be reimbursed."

The Chair: You've heard the motion. Discussion?

Mr Christopherson: I have a question. Does the movement we made on meeting dates affect the research officer's ability to meet the February 25 deadline?

The Chair: Yes, it does. We will have to move that probably a week further. Are you proposing to move that?

Mr Christopherson: I would move that.

The Chair: That would move it to March 3.

Mr Christopherson: How much time did we have before, between receiving the draft and starting to meet as a committee? Do you recall, David?

Mr David Rampersad: It would have been just over a week. I would have given it on a Friday and the committee would have met on Monday, the 6th. Now I will submit the report on Wednesday, the 3rd, and the committee is to meet on Monday, the 6th.

Mr Christopherson: That doesn't work.

Mr Rampersad: I'm sorry?

Mr Christopherson: That puts the 6th on Saturday.

Mr Rampersad: If I submit it on Wednesday, March 3—

Mr Christopherson: What day is March 6?

The Chair: No, I'm sorry, the 3rd is a Friday.

Mr Rampersad: I'm sorry. So I submit it on March 1.

The Chair: Yes, March 1 would be a Wednesday.

Mr Rampersad: Yes.

Mr Christopherson: Then we'd meet the following Monday.

Mr Rampersad: Yes.

The Chair: That's correct.

Mr Christopherson: It's a little tight, but I could make it work.

Mr Galt: It should be OK.

The Chair: So you're moving March 1?

Mr Christopherson: I would.

The Chair: This is paragraph 7.

Mr Christopherson: We just changed February 25 to March 1 to reflect the changes in the committee meeting dates.

The Chair: Any further discussion on the amendment?

If not, all those in favour of amending the date from February 25 to March 1, 2000? Opposed? That's carried unanimously.

Further discussion?

Mr Skarica: I have some timelines that perhaps we could address, starting off with paragraph 1. December 16, the finance people feel, is a little tight. We're wondering if that date could be changed to December 21? December 16 is only a week away from today.

Mr Christopherson: That's fine.

The Chair: You're proposing that amendment, Mr Skarica?

Mr Skarica: Yes, December 21.

The Chair: Any discussion on the amendment?

Mr Galt: I'm lost here.

Mr Skarica: Paragraph 1.

Mr Galt: OK.

The Chair: All in favour of amending the date from December 16 to December 21? Opposed? That's carried unanimously.

Mr Skarica: Paragraph 2 right now says, "That on January 7, 2000," if that could be moved to January 19.

Mr Christopherson: What does that do to the gap time?

Mr Skarica: We're starting February 1.

The Chair: You wanted to move that to what date, Toni?

Mr Skarica: January 19. The reason for that, and perhaps you're going to have to do a paragraph 10, is in the—I'm sorry. I thought it was in this one, but if you go back to the report of the subcommittee we just adopted, that January 6, 2000, will be the cut-off time, that doesn't leave a lot of time for people to contact the committee clerk. I was going to suggest that we could perhaps move that forward to the 16th, I believe.

The Chair: January 16 is a Sunday.

Mr Skarica: I'm sorry, it's a Sunday. Just a second.

Mr Christopherson: Tom, what happened to the request for that chronological list that I asked for? Wouldn't that be helpful for all these deliberations so we can look at this?

Mr Skarica: I was going to suggest January 18. I'm going to propose paragraph 10 to amend the—we're now dealing with December 6, so I would propose an amendment, paragraph 10, that we amend the previous report of the subcommittee to change paragraph 6 to January 18, I believe.

The Chair: On the December 6 minutes, in paragraph 2, you're suggesting that we change the date to?

Mr Skarica: January 19, but we're going to have to go back to the December 2 minutes, I'm sorry, paragraph 6, where we have the cut-off date of January 6. That doesn't leave a lot of time, particularly at Christmas, so to move that up two weeks approximately, to January 18, to give people more time.

Mr Kwinter: What you're really saying is that you're giving them till 5 pm on the 18th and the clerk is going to provide us with a list the next day?

Mr Skarica: I guess that's going to be pretty tough, isn't it? How much time do you need?

Clerk of the Committee: That can be done.

Mr Skarica: That can be done? That would give two extra weeks and I think with the Christmas holidays that's a good idea. Perhaps we could then have a paragraph 10 for the December 6 minutes, "That the approved report of the subcommittee dated December 2, paragraph 6, be amended to January 18, 2000."

The Chair: OK. Before we go back to the December 2, we need unanimous consent to go and reopen that issue.

Mr Kwinter: We don't have to reopen it, just add it on.

The Chair: Just add it on to this one?

Mr Kwinter: Yes, we're going to add a new 10 on this one.

The Chair: Is that what you're proposing?

Mr Skarica: A new 10 on that one. Paragraph 10 would be:

"That the approved report of the subcommittee dated December 2, 1999, paragraph 6, be amended to indicate as follows: That January 18, 2000, at 5 pm will be the cut-off time for people to contact the committee clerk to request an opportunity to appear before the committee." If I could move that.

The Chair: Discussion? If not, then all those in favour of the amendment? That's carried.

Mr Skarica: Then we go back to paragraph 2 of the subcommittee report dated Monday, December 6, that the date there be changed from January 7 to January 19.

The Chair: So we change the date from January 7 to January 19. Discussion on the amendment? If not, then all in favour of the amendment? That's carried.

Mr Skarica: The next paragraph, in light of the change in timelines: "That the list provided by each party will be provided to the clerk by January 21, 2000."

The Chair: You're moving—

Mr Skarica: January 14 to January 21.

The Chair: Discussion on the amendment? If not, then all those in favour? That's carried.

Mr Skarica: I believe those are the amendments I'm requesting.

The Chair: Any further discussion?

Mr Christopherson: Just a clarification: Paragraph 7, February 25 is changed to what?

The Chair: March 1.

Mr Christopherson: Now for those who are following these details very carefully, this all works, Tom and David?

The Chair: We hope. We'll let you know if it doesn't.

Mr Christopherson: Yes, we'll hear from you, I'm sure.

The Chair: Any further discussion on the minutes? If not, then I'll entertain the vote. All those in favour of the amended minutes of December 6? That's carried.

Mr Skarica: Can we go back to the December 2 minutes. We've been asked to clarify paragraph 5. Are there going to be any advertisements in Toronto for those advertisements?

The Chair: Yes.

I think that concludes the business of the day and we'll have the next meeting at the call of the Chair. We're now adjourned.

The committee adjourned at 1046.

CONTENTS

Thursday 9 December 1999

Subcommittee reports	F-3
----------------------------	-----

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Chair / Président

Mr Marcel Beaubien (Lambton-Kent-Middlesex PC)

Vice-Chair / Vice-Président

Mr Doug Galt (Northumberland PC)

Mr Ted Arnott (Waterloo-Wellington PC)

Mr Marcel Beaubien (Lambton-Kent-Middlesex PC)

Mr David Christopherson (Hamilton West / -Ouest ND)

Mr Doug Galt (Northumberland PC)

Mr Monte Kwinter (York Centre / -Centre L)

Mrs Tina R. Molinari (Thornhill PC)

Mr Gerry Phillips (Scarborough-Agincourt L)

Mr Toni Skarica (Wentworth-Burlington PC)

Clerk / Greffier

Mr Tom Prins

Staff / Personnel

Mr David Rampersad, research officer,
Research and Information Services

2011
20
21



Gouvernement
de l'Ontario

F-3

F-3

ISSN 1180-4386

Legislative Assembly of Ontario

First Session, 37th Parliament

Assemblée législative de l'Ontario

Première session, 37^e législature

Official Report of Debates (Hansard)

Tuesday 1 February 2000

Journal des débats (Hansard)

Mardi 1^{er} février 2000

**Standing committee on
finance and economic affairs**

**Comité permanent des finances
et des affaires économiques**

Pre-budget Consultations

Consultations prébudgétaires



Chair: Marcel Beaubien
Clerk: Tom Prins

Président : Marcel Beaubien
Greffier : Tom Prins

Hansard on the Internet

Hansard and other documents of the Legislative Assembly can be on your personal computer within hours after each sitting. The address is:

<http://www.ontla.on.ca/>

Index inquiries

Reference to a cumulative index of previous issues may be obtained by calling the Hansard Reporting Service indexing staff at 416-325-7410 or 325-3708.

Copies of Hansard

Information regarding purchase of copies of Hansard may be obtained from Publications Ontario, Management Board Secretariat, 50 Grosvenor Street, Toronto, Ontario, M7A 1N8. Phone 416-326-5310, 326-5311 or toll-free 1-800-668-9938.

Le Journal des débats sur Internet

L'adresse pour faire paraître sur votre ordinateur personnel le Journal et d'autres documents de l'Assemblée législative en quelques heures seulement après la séance est :

Renseignements sur l'index

Adressez vos questions portant sur des numéros précédents du Journal des débats au personnel de l'index, qui vous fourniront des références aux pages dans l'index cumulatif, en composant le 416-325-7410 ou le 325-3708.

Exemplaires du Journal

Pour des exemplaires, veuillez prendre contact avec Publications Ontario, Secrétariat du Conseil de gestion, 50 rue Grosvenor, Toronto (Ontario) M7A 1N8. Par téléphone : 416-326-5310, 326-5311, ou sans frais : 1-800-668-9938.



LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
FINANCE AND ECONOMIC AFFAIRSCOMITÉ PERMANENT DES FINANCES
ET DES AFFAIRES ÉCONOMIQUES

Tuesday 1 February 2000

Mardi 1^{er} février 2000*The committee met at 1001 in room 151.*

PRE-BUDGET CONSULTATIONS

The Chair (Mr Marcel Beaubien): Good morning, everyone. I'd like to bring this meeting to order. It is 10 o'clock, and I like to conduct business on time.

There are two items that I would like to bring to the committee's attention. For the record, first of all, this committee will be meeting on February 1 in Toronto, also on February 2, 3 and 4. On February 7, the committee will be in Kenora, on February 8 we will be in Timmins, on the 9th Brockville, on the 14th Chatham, the 15th Niagara Falls and on the 16th we will be back here in Toronto.

Furthermore, I would like the subcommittee to meet after today's session for probably a few minutes. We have a couple of issues that we have to deal with, and I'd like to have them cleaned up this afternoon.

The minister was supposed to be here at 10 o'clock. I guess we can take a brief recess until the minister gets here.

Mr Gerry Phillips (Scarborough-Agincourt): How do you know it will be brief?

The Chair: Mr Phillips, that's a very good question. I hope the minister is not stuck in a snowbank somewhere. So with this, we'll take a brief recess until the minister gets here.

The committee recessed from 1003 to 1006.

MINISTER OF FINANCE

The Chair: If I could get your attention, we'll bring the meeting back to order. First of all, on behalf of the committee, I would certainly like to welcome the Minister of Finance. It's a pleasure to have you here this morning, Minister.

Before we start with the order of business of the day, Mrs Molinari, I think you have a motion.

Mrs Tina R. Molinari (Thornhill): I'd like to nominate Ted Arnott to be the Conservative Party's representative on the subcommittee.

Mr Doug Galt (Northumberland): I second that.

The Chair: Any discussion on the motion? If not, all those in favour? Thank you. Minister.

Hon Ernie L. Eves (Deputy Premier, Minister of Finance): Thank you, Mr Chair. I'm pleased to have this

opportunity this morning to address the standing committee on finance and economic affairs as you embark on your consultations for the first Ontario budget of the new millennium.

This committee plays a major role in the development of the province's economic and fiscal agenda, both through its own deliberations and by providing a forum for the people, organizations and businesses of Ontario to contribute their ideas and express their views.

The third-quarter economic accounts that we are releasing today add to the growing body of evidence that our plan of stimulating growth through tax cuts is working. Ontario's economic and fiscal policies are fuelling the most vigorous economic growth this province has enjoyed in over a decade. In the third quarter of 1999, Ontario's real GDP grew 7.1% from a year previous. This is the most rapid economic growth in the province in 11 years. For 1999 as a whole, we expect that growth will be 5%.

After years of lagging economic performance, Ontario has taken its place in recent years as a global growth leader. Our economy is growing faster than the rest of Canada or any of the G7 industrialized countries.

Tax cuts help to spur economic growth, create jobs and boost consumer and investment spending. Tax cuts are the key to ensuring that Canadians will enjoy rising incomes and living standards and to ensuring that individuals will choose Canada as the place to work, save and invest.

Cutting taxes, including personal income taxes, is the single most important act that governments can take to create a more dynamic economy with stronger growth both today and in the long term.

Since coming to office, this government has announced a total of 99 tax reductions for the families and businesses of Ontario. However, despite Ontario's tax-cutting achievements, taxes are still too high both in Ontario and across the country.

Ontario has already reduced the personal income tax rate by more than 30% on average and has committed to another 20% cut over the next five years. The first step, the first 5% reduction in Ontario's general personal income tax rate of the 20%, was delivered in July 1999. Yet Ontarians and other Canadians still feel that they are overtaxed, and they are right.

The personal income tax burden in Canada has been rising in recent years, largely because of federally imposed bracket creep.

Ontario has taken action to ensure that the provincial personal income taxes paid by lower-income taxpayers do not continue to climb as a result. Due to the government's personal income tax cuts and enrichments to the Ontario tax reduction program, 100,000 Ontarians no longer have to pay any Ontario income tax.

A total of 1,205,000 Ontarians benefit from the Ontario tax reduction program, including 650,000 who pay federal, but not Ontario, personal income tax.

The federal government now takes over 60% of all PIT paid by Canadians. Personal income taxes as a percentage of GDP are higher in Canada than in any other major industrialized country.

By reducing the federal tax burden, Ottawa would boost economic growth and job creation that have been generated by Ontario's tax cuts. For this reason, we are calling upon the federal government to reduce personal income tax by at least 20%, phased in over the next five years.

Both the government and the private sector forecasters are confident that economic momentum generated by Ontario's policy over the past few years will continue.

The average private sector forecast is now that Ontario will grow by 3.7% in 2000. I might add that if you took only the forecast that came out in the month of January, that number climbs to 4.1%. This exceeds the growth expected for the rest of Canada or any of the G7 countries.

It is important to emphasize that almost 80% of Ontario's strong economic growth since we came to office is due to domestic spending—spending that is directly stimulated by tax cuts.

While exports are critically important to the Ontario economy, some analysts have mistakenly concluded that all of Ontario's economic growth has been due to export growth, and thus that tax cuts have not had any effect whatsoever. However, when net exports—exports minus imports—are examined, it becomes clear that external trade has been responsible for only about 20% of Ontario's economic growth over the past four years.

One of the strongest areas of domestic spending growth has been in business investment.

Our tax cuts for individuals and businesses—including reductions in personal income taxes, corporate small business taxes and the employer health tax—and the climate created by reducing red tape in regulation have stimulated business investment by increasing the competitiveness of the Ontario economy.

Lower personal income taxes make it easier for employers to attract and keep the talented staff that are so vital in a technologically driven economy.

Lower taxes allow business owners to keep more of what they earn, encouraging them to increase both investment and hiring.

Tax cuts that boost competitiveness and investment have also increased Ontario's export potential, which is

important because trade and growth of trade remain vital to our economy.

Tax cuts also stimulate domestic spending by providing individuals and families with more money to spend on things that are important to them.

In 1995, before the tax reduction program began, middle- and high-income Ontarians were among the highest-taxed individuals in the country.

As a result of our personal income tax cuts, every taxpayer pays less Ontario tax, but the percentage of savings is greater for those with low or moderate incomes. For example, taxpayers with incomes of up to \$16,200 will pay 62% less Ontario tax on average when the 30% and 20% Ontario income tax rate cuts are implemented, and thanks to enrichments to the Ontario tax reduction program.

Middle-income Ontarians now pay the lowest rate of provincial personal income tax in the entire country. The rate of provincial tax on higher-income earners is the second lowest in Canada, after only Alberta.

This has left our taxpayers with more money to spend and invest, which in turn boosts our economy. This creates more jobs, and in turn creates even more economic growth.

Tax cuts have made a real difference to every working family in Ontario. A two-earner family of four with a household income of \$60,000 saved \$1,510 in Ontario personal income tax in 1999.

Since the beginning of 1996, the real disposable income of Ontarians has risen by more than \$20 billion. In the previous four years, by comparison, Ontarians did not see any increase at all in their disposable income.

The increases in take-home pay and economic growth are reflected in this province's surging consumer confidence and spending.

The Conference Board of Canada reports that the consumer confidence index for Ontario is at an 11-year high. Since September 1995, this index has risen 32% in Ontario, which is roughly double the increase for the rest of the country. Consumers in Ontario have boosted their spending by 16.6% since then.

The housing market is at record levels. In 1999, Ontario housing starts rose 24.9%, reaching the highest level in a decade. Toronto-area home resales rose to 59,000, the highest ever on record.

I think the debate is over; tax cuts do help create jobs.

In addition to boosting spending by consumers and businesses, this government's economic and fiscal policies have helped make it easier and more attractive for companies to invest in Ontario and hire new employees. The result is powerful private sector job growth in the province of Ontario.

Since we set out our tax-cutting plan in our first throne speech in September 1995, Ontario has gained 642,000 net new jobs, most of them full-time private sector jobs. This is close to 47% of all the jobs created in Canada over that period of time.

We are on track to meeting our five-year goal of 725,000 jobs by the end of this year. Indeed, more people

are working now in the province of Ontario than at any time in Ontario's history.

By contrast, from January 1990 to September 1995, Ontario lost nearly 50,000 jobs, while the rest of Canada gained 350,000 jobs.

Ontario's unemployment rate is down to 5.6%. Before we began our tax reduction policies, the unemployment rate was 9.4%.

Although the current youth unemployment rate is down from 15.4% in 1995 to 11.9% in December of last year, there are still far too many young people unemployed.

Tax cuts will continue to create jobs, further reducing the unemployment rate for workers of all ages.

In addition, Ontario spends \$217 million on labour market programs for 214,000 youth, an increase from \$189 million for 190,000 youth last year.

We are also helping people break the cycle of welfare dependency by stimulating private sector job creation and by helping people on welfare take advantage of new job opportunities. Our reforms have helped 468,924 people leave the welfare rolls since we came to office.

However, the federal payroll tax burden continues to grow. This is killing jobs in Ontario and across the country. Ontario workers and employers will pay some \$560 million more in federal payroll taxes in 2000 than they paid last year. This is at a cost of 22,500 jobs to the Ontario economy. That figure is based on a paper issued by the C.D. Howe Institute that estimates that for every \$1-billion increase in payroll tax, there is a result of a loss of up to 40,000 jobs.

Rising payroll taxes have become pervasive. As you can see on the chart, since 1995 payroll tax increases have cost Ontario up to 45,000 jobs, with half of this total attributable to this year alone.

The recent 15-cent cut in EI premiums will offset only 45% of the scheduled increase in CPP contributions this year. Moreover, EI premiums are still too high. The cumulative EI surplus continues to mushroom and grow and by the end of this year is expected to reach over \$31 billion. This is far more than is required to balance the EI account over any terrible business cycle. In fact, the EI chief actuary himself indicates that the EI account needs a surplus in the range of \$10 billion to \$15 billion, not \$31 billion, to meet its obligations, even in the event of an economic downturn.

1020

Ontario has called upon the federal government, as indeed have other provinces, to reduce EI premiums to below \$2 per \$100 of insurable earnings. This is a level identified by the EI chief actuary as sustainable, which would fully offset the CPP contribution increase which took effect on January 1 and would ensure no further increase in the federal payroll tax burden this year.

Payroll tax cuts, especially to EI premiums, are effective in creating jobs because they lower the costs of hiring, can be implemented quickly and benefit low- and middle-income workers the most.

Ontario has reduced the employer health payroll tax for all businesses and completely eliminated it for both small businesses with payrolls under \$400,000 and self-employed individuals. As a result, 88% of Ontario's private sector employers no longer have to pay this tax.

The federal government collects more revenues than it needs to match its spending. As a result, the federal government, by its own numbers, is expected to accumulate a \$112-billion surplus from this fiscal year to the year 2004-05.

While the federal government continues to report surpluses, the provinces are responsible for delivering programs subject to the greatest demands and cost pressures, such as health care, education and other social programs.

Between 1994-95 and 1998-99, the federal government cut \$6.2 billion in annual Canada health and social transfer cash entitlements, the program that supports these important priorities. The 1999 federal budget restored only \$2 billion of that \$6.2 billion in this fiscal year and will restore only a further half-billion dollars in 2001-02.

Ontario estimates indicate that the federal government has the fiscal room to restore the CHST funding to its 1994-95 level, as well as cut its personal income taxes by at least 20%.

Full restoration of CHST and a 20% reduction in personal income taxes is achievable, along with a CHST escalator clause in concert with the removal of the equalization ceiling, which is of concern to many Atlantic provinces; an infrastructure program, which the federal government has mused about; and the employment insurance premium reduction called for by Ontario and others.

The federal government should not use its growing surplus to reintroduce the kinds of shared-cost programs that were available to Canadians in the 1960s and 1970s. Those programs leave provinces vulnerable to the unilateral federal action of cutback and do not provide provinces with the flexibility to meet their own needs.

The federal government should focus on Canadians' priorities for health care, education and other social programs. This could be achieved by coordinating federal transfers with provincial policy objectives in these areas. It would also ensure the most efficient use of taxpayers' money and could be done in a fair and equitable manner.

For Ontario, that means the federal government should respect the provinces' responsibilities and should treat all Canadians equally. For example, the CHST is a block transfer which gives provinces the flexibility to deliver health and other social programs in an integrated and efficient way in their own jurisdiction, but it is not equitable. In 1999-2000, Ontario will receive a lower per capita CHST cash entitlement than every other province except Alberta.

This is truly inequitable. Federal spending programs should not be used to equalize government resources outside of the fiscal equalization program. This is a plea that we have made many times, along with other provinces, to the federal government. If you want to

change the equalization programs, then let's talk about that, but let's not have every transfer program between the federal government and provincial governments with an equalization component, as is the case today.

Similarly, the federal government must respect provincial tax policy equality in shared federal-provincial tax fields such as personal income tax.

The benefits of the personal income tax collection agreement with the federal government no longer outweigh the constraints it imposes on provincial policy. As recommended in the Provincial Auditor's annual report, Ontario will seek amendments to the agreement to ensure that it serves Ontarians' best interests.

The restrictions placed on the province include an inability to participate in or influence decisions about the enforcement of our own Income Tax Act or to implement Ontario-specific measures without the approval of the federal government. Our government plans to take greater control of our own personal income tax system to preserve the benefits Ontario taxpayers have gained from Ontario government tax reductions.

Ontario has promised to establish a made-for-Ontario personal income tax system. We will move to a tax-on-income system in which Ontario's personal income tax will no longer be linked to federal tax and subject to hidden tax increases within the federal system. In a tax-on-income system, Ontario will levy its personal income tax as a percentage of taxable income as opposed to basic federal tax, as is the case today. Ontario would be able to set its own brackets and tax rates and establish its own block of non-refundable tax credits.

In embarking on this course, Ontario expects that it will have the same flexibility as the federal government has over its personal income tax system—flexibility to design Ontario's tax system to meet the specific needs of Ontario taxpayers. I might add that Ontario is not the only province that has this point of view. However, if the federal government's administration of personal income tax does not permit Ontario to achieve this policy independence and autonomy, Ontario will move to a system that does support Ontario's goals.

We wholeheartedly agree with the Provincial Auditor on this issue. This is another reason Ontario is moving to a tax-on-income system as soon as possible, with the expectation that Ontario will have the same policy flexibility as the federal government. To his credit, Minister Martin—after much lobbying, I might add, from all the provinces—announced on January 25, last Tuesday, that provinces could move to a tax-on-income system.

In addition to maintaining a competitive fiscal and economic environment, our future prosperity depends on our making continuous and more strategic capital investments to sustain our economic competitiveness. SuperBuild is spearheading and paving the way for the biggest and boldest infrastructure building program in Ontario's history. Through SuperBuild, not only the province but our partners in the private sector and broader public sector will invest in the innovative and improved infrastructure for a stronger, more competitive economy.

The government is investing \$10 billion in SuperBuild over a five-year period of time. This investment will be used to lever at least \$10 billion in additional investment from our infrastructure partners in the private sector and broader public sector.

Through SuperBuild, the government will build new relationships with our municipal and broader public sector transfer partners. Together, and by focusing on shared objectives, we can raise our collective ability to invest more strategically in Ontario's infrastructure and to attract more investment partners from the private sector. Through SuperBuild, the government is taking on the role of investor, partner, facilitator and leading change agent. We are open to any and all ideas. It is a new world and we have to rethink the way we do things.

The government's first-year investment in SuperBuild is \$2.9 billion. About three quarters of this investment is being placed in highways, colleges, universities and health care. Approximately \$936 million is being invested in provincial highway systems, especially in the strategic trade corridors that link Ontario's export-driven industries to our international gateways and border crossings.

Investments totalling \$742 million will expand and modernize college and university infrastructure. This once-in-a-generation expansion will make sure our post-secondary system can provide a space for every qualified and motivated student in Ontario. The size of this investment has been explained to me as the equivalent of building three new Queen's universities or four new Durham colleges, all in the course of this fiscal year.

This year, SuperBuild is investing up to \$504 million in health capital for hospitals, long-term-care centres and mental health facilities. SuperBuild is also investing in technology infrastructure.

Ontario's economic and fiscal policies have also contributed to significant progress in restoring the province to a sound financial footing. Ontario is on track to meet the balanced budget plan deficit targets originally outlined in the November 1995 fiscal and economic statement, including a balanced budget in the fiscal year 2000-01. In fact, for the fifth year in a row, we are on track to overachieve our deficit target.

1030

Last year, we reduced the deficit to \$2 billion, which was \$2.2 billion lower than the 1998 budget deficit target and \$2.8 billion lower than the original target for 1998-99 set out in the balanced budget plan.

The third-quarter Ontario finances that I am releasing today report a deficit of \$1 billion for this fiscal year, which is \$1.1 billion lower than the 1999 budget forecast, \$1.6 billion lower than the original balanced budget target for this year and \$25 million lower than the deficit outlook reported in the second-quarter Ontario finances.

This deficit outlook is more than 90%, or \$10.3 billion, below the \$11.3-billion potential deficit the government inherited when it assumed office. The improved deficit outlook is due to higher-than-forecast tax revenue resulting from the exceptional strength of the

economy and the cautious nature of budget projections. Revenues have increased \$1.7 billion since the 1999 budget and \$745 million since the second-quarter outlook, mainly due to increased tax revenue and higher federal transfers for social housing as a result of the recently signed Canada-Ontario social housing agreement.

At the same time, expenditures have increased by \$1.1 billion since the 1999 budget and \$720 million since the second-quarter outlook, mainly to accommodate priority needs.

Major spending changes in the third quarter include a \$200-million increase in OPSEU pension plan expenditures, and \$196 million each in additional funding for hospitals and resulting from the Canada-Ontario social housing agreement. There is also a \$106-million increase for child welfare.

Mr Chair, the balanced budget plan is on track, and I look forward to introducing a balanced budget this spring. However, our commitment to sound fiscal policies and spending controls will not be relaxed when the deficit is eliminated. Once the budget is balanced, we will start paying down the debt, beginning with a minimal repayment of at least \$2 billion over the current mandate of this government.

Once the budget is balanced, we will also ensure that it remains balanced. The Taxpayer Protection and Balanced Budget Act, which received royal assent on December 14 of last year, will prohibit future governments from incurring deficits except in extraordinary circumstances. This is one of the toughest and most comprehensive pieces of legislation of its kind in Canada. Beginning with the 2001-02 fiscal year, Ontario governments will be required to balance their budget every year, except in very limited circumstances which are clearly spelled out in the legislation. If the budget is not balanced, cabinet salaries will be reduced by 25% for the first deficit and 50% for the second deficit and each consecutive deficit thereafter.

Taxpayers are also protected from new taxes and rate increases in the province's major taxes. The new law will require the government to obtain the approval of voters in a referendum before introducing a bill that would impose a new tax or increase tax rates except where they are part of a revenue-neutral package. The taxes covered by this legislation make up 97% of Ontario's taxation revenue.

In conclusion, I trust that the information I have provided today, and the ideas and views you will hear from Ontarians in the days ahead, will prove useful to this committee as it conducts its pre-budget consultations and develops its report to the Legislature. Our government is always open to new ideas on how to build a stronger and more prosperous Ontario.

While we take pride in our achievements to date, we are keenly aware that our future successes depend on sound management of the province's economic and fiscal affairs. We will be using the upcoming budget to continue implementing the economic and fiscal policies

that have proved successful to date at putting Ontario back on track.

We look forward to hearing from the committee and from Ontarians across the province on how we can further our agenda of creating jobs, strengthening our economy, improving the investment climate and laying the foundations for Ontario's continued prosperity.

Thank you, Mr Chairman.

The Chair: Thank you, Minister Eves. Each party will have 30 minutes for questions and responses. However, Mr Christopherson has informed the clerk that he was a witness to an accident this morning; he might be delayed. He would still like to have his 30 minutes. So we'll start with the opposition. Then, if Mr Christopherson is not here, we'll go to the government side, and then hopefully Mr Christopherson will be here. So, with no further comments, Mr Phillips.

Mr Phillips: I appreciate the minister being here and look forward to beginning the debate.

Let me start with the issue of health care spending. The government is spending about \$20 billion this year on health care. Is it the government's view that that's the adequate amount of spending on health care in Ontario?

Hon Mr Eves: I don't suppose, Mr Phillips, that any amount could be regarded as the perfect amount to be spent on health care. It's certainly far in excess of what we promised, if you remember, going back to the 1995 election campaign. We understand and appreciate the fact that health care is Ontarians' and Canadians' number one priority and that's why we have committed to increasing health care spending by 20% over a five-year period of time during the course of the current mandate of this government.

Mr Phillips: I'm just trying to get an idea: Is it your view that that's what the government feels it should be spending on health care or does it feel it should be spending more money on health care now?

Hon Mr Eves: I think it's the government's point of view that that is the appropriate amount to be spent during this fiscal year, recognizing that that pressure increases all the time and that we'll have to increase it in the future.

Mr Phillips: What I'm just trying to get at: In terms of your debate with the federal government, is it your view that regardless of what the federal government does, the \$20.2 billion is the appropriate amount to be spending?

Hon Mr Eves: If the federal government was willing to restore CHST payments more than it has, then obviously we would direct that money, as we did in last year's increase from the federal government, toward health care funding.

Mr Phillips: How much more do you think we should be spending?

Hon Mr Eves: I think you could spend \$20 billion more a year if you had it.

Mr Phillips: I'm trying to get what you believe we should be spending in Ontario.

Hon Mr Eves: I believe that what we're spending right now is the maximum that we can afford to spend, keeping in mind other priorities of government besides health care.

Mr Phillips: So is it your view that we should be spending more but we don't have it, then?

Hon Mr Eves: I suppose you could spend 100% of the budget on health care. I don't think people driving in every day would appreciate that, nor would anybody going to school, nor would anybody on social assistance, because there wouldn't be any money for that.

In a government, as I'm sure you're aware, you have to determine your priorities. The amount that health care takes of the provincial budget in all provinces is growing every year and it continues to grow. We are spending what we think is an appropriate amount this year with the amount of revenue that we have.

Mr Phillips: You didn't understand. One of the pieces of advice I'm sure you're looking for is what we should be spending on the health care. I take from your comments today—correct me if I'm wrong—that if you had more money you would spend more money on health care, that there are some needs that aren't being met or that you're spending—just give me a kind of a direction. Are we spending what in your judgment is the appropriate amount or would you prefer to be spending more money but don't have it?

Hon Mr Eves: I suppose if we had figures meaning nothing, \$5 billion more in revenue, or the federal government decided to restore CHST payments 100%, sure we could spend more money on health care. You can always spend more money on health care.

Mr Phillips: You could, but—

Hon Mr Eves: If that number was \$41 billion, you could still spend more money. You could reduce the waiting lists from whatever to whatever. I mean, you're always going to have that argument. You could take any program in government, as a matter of fact, and make that argument: "Is that enough? Is it 110% supplying the needs of a particular area of endeavour?" The answer would always be, "No, of course it's not." You could always spend more money in any area.

Mr Phillips: I realize you could spend more, but you don't feel that there is the need to spend more money right now in Ontario.

Hon Mr Eves: I think the government of Ontario is spending an appropriate amount of money for the amount of money that it has coming in, having regard to other priorities that Ontarians have, such as—

Mr Phillips: If you did have more, where would your priorities be in health care?

1040

Hon Mr Eves: I guess you'd have to get a more detailed answer from the Minister of Health. I think you can always direct more money to important areas that we all are aware of. I think the Minister of Health has recently responded, for example, to emergency room funding; I think she has responded to cancer care in the

province. Those are two obvious priorities in the health care field where more money could be spent.

Mr Phillips: To change the subject a little, on the tax issue there has been some discussion recently on the merits of flat taxes, and I gather you would have looked at that and reached some conclusion on that. Do you have any advice for us on the conclusions your ministry has reached on flat tax?

Hon Mr Eves: We have looked at flat tax when the Alberta government—and before that, as a matter of fact. As you know, it's not a brand new idea. Mr Buckley, Mr Pocklington and others have had it around for many, many years, on both sides of the Canada-US border.

In some respects it perhaps is attractive. On the other hand, it's not a very progressive way of taxing people. Obviously, those people who make more in society should pay more in terms of a higher rate. That's just my personal philosophy and belief; others may differ. I'd be interested to hear what people appearing before the committee have to say in the course of its deliberations, and we of course will be doing our own pre-budget consultations, as the Ministry of Finance does every year in budget preparation. In fact, they start very shortly and will continue on right through almost to budget time.

It's an interesting proposition. However, I think Canadians and Ontarians have become used to a progressive taxation system where the higher your income, the higher the rate of tax you pay.

Mr Phillips: In terms of setting up your own tax system, I gather, if I can read between the lines, that your judgment is, based on the comments you've heard from the federal minister, that they appear to be heading towards being able to accommodate your concerns about more flexibility for Ontario, but within one income tax collection service.

Hon Mr Eves: Right.

Mr Phillips: So that may not be an issue any longer, based on—

Hon Mr Eves: A made-for-Ontario tax, to me, doesn't necessarily mean, and in fact hopefully doesn't mean, your own tax collection system. I would like to think, as indeed every other province—the finance ministers of the provinces unanimously recommended to the federal government that we be allowed more flexibility within the tax collection system. In my conversations many months ago now with Mr Dhaliwal, the former minister of revenue federally, he indicated to me that he thought that would be possible, that the tax collection system that the federal government is setting up can really do everything from distributing benefits, which it does in some programs apparently in the province of British Columbia, to collecting taxes in 10 different provinces in 10 different ways. I think that is what is needed, because obviously the economies of each of the provinces aren't similar; they are not based on similar industries and sectors. It would be ludicrous to suggest that the province of Prince Edward Island, for example, has the same taxation needs as the province of Alberta, or BC the same as New Brunswick.

All that the provincial finance ministers really are asking for is the same flexibility that the federal government has within its system of taxation policy for its citizens. I believe that can be accommodated within a central tax collection system. That always has been my preference and remains my preference today. I often compliment Minister Martin. I would hate to think where the Canadian economy would be without him at the helm over the last five, six or seven years, and I've told him that personally. Sometimes it's embarrassing for him, so he's embarrassed yet again today. However—

Mr Phillips: We'll keep it quiet.

Hon Mr Eves: And I was heartened, quite frankly, by the fact that last Tuesday the federal government saw fit to move the tax-on-income date—not all provinces will take advantage of this, but I believe perhaps as many as half will—in this taxation year, to have tax-on-income in this taxation year, the year 2000, as opposed to 2001, which had been the federal government's previous plan. As a matter of fact, as recently as about the middle of December, when the finance ministers met with Minister Martin in Ottawa, the federal government was quite adamant that they would not entertain any such possibility. So we understand that for this year, the taxation year 2000, there can't be the same type of flexibility that the federal government could build in through its tax collection system in 2001, 2002, 2003, and as we go I think we can get more and more flexibility. If we can, we will certainly be happy to be accommodated within that one federal system.

Mr Phillips: It sounds like that problem might be over.

The government has said that on the spending side, "We will save one cent from every dollar the government spends in each of the next two years." Can you tell us what that means? Is that your plan, to cut spending by one per cent?

Hon Mr Eves: I think that's an objective, a target to find as many savings as we can, an ongoing exercise that I believe the government should be conducting every fiscal year to see where it can run the operations of government more cost-effectively and efficiently and provide better services to Ontarians.

I don't think it should be read as a rigid target. If we don't meet it in one particular year bang on, I don't think the roof is going to cave in; I don't think it's the end of the world. But I do think it's a target that all ministers should be striving for as we go through our fiscal planning process for each and every ministry every year.

Mr Phillips: Does it mean that spending will be 1% lower in the following year than it was in the previous year? Is that what that means?

Hon Mr Eves: That's not always possible, but that certainly would be the target.

Mr Phillips: So it's not really a commitment. It's sort of a—

Hon Mr Eves: I think that every government, and every political party, for that matter, during the course of an election campaign outlines what it thinks the appro-

priate policies for Ontarians are. Ontarians then judge during the course of a campaign, hopefully, which party they would like to see form the government on the basis of that.

I think our track record has been fairly good in terms of delivering what we promised to Ontarians and I think they can take heart in the fact that we are going to be diligent in trying to find those types of savings in the administration of government.

Mr Phillips: Do those words mean 1% less spending in the next year versus the previous year? I didn't write these words. I think you or someone else wrote them.

Hon Mr Eves: I didn't write them, I can assure you, but they mean exactly what they say, that our target will be to find a one-cent efficiency in every dollar that the government spends.

Mr Phillips: The same document said 825,000 jobs over the next five years. That was in the document, and I assume that was—

Hon Mr Eves: That is the target.

Mr Phillips: Is that the expectation that it is?

Hon Mr Eves: Yes. Of course, all kinds of things can happen, as could have happened, I guess, between late 1995 and today. However, we set a target then of 725,000 jobs that a lot of people thought was ludicrous and they scoffed at it. They thought it could never be achieved. You may disagree, but I don't: I think that target is well within reach today. By the end of the year 2000 I think it is very possible—

Mr Phillips: The 825,000?

Hon Mr Eves: No, that we will achieve the 725,000 target. I think that 825,000 is an ambitious goal, but I do think it can be achieved.

Mr Phillips: What would the unemployment rate be at the end of five years then?

Hon Mr Eves: Right now, if my memory serves me correctly, I believe that the percentage of people gainfully employed in production in Ontario is somewhere in the neighbourhood of 67%. There is much more capacity that can be taken up by the Ontario labour force. To achieve that target of 825,000, I believe we would have to have an employment efficiency, or contribution rate, of somewhere just over 70% to achieve that target of 825,000.

Mr Phillips: By the way, I've asked a number of specific questions, as you know, that I assume the officials will provide answers for.

Hon Mr Eves: Yes. We have prepared answers to all of your questions.

Mr Phillips: I appreciate that.

Hon Mr Eves: Hopefully we will be tabling those today.

Mr Phillips: Great. We are now coming to the end of the first year of the SuperBuild Growth Fund. The one that is of most interest is the private sector, \$10-billion commitment on the infrastructure. I wonder if you could give us some ideas of what projects have already been approved or what projects are on the horizon that would

see a \$10-billion commitment from the private sector on infrastructure.

Hon Mr Eves: Sure. First of all, I think this year in some respects will be the, I don't want to say "easiest," but the most charted-out year for the government in terms of what we've outlined in terms of the \$2.9 billion. I referred to the \$742 million in colleges and universities. I think you will find that within the next couple of weeks, probably, the Minister of Training, Colleges and Universities will be making some announcements with respect to the literally hundreds of proposals that her ministry has received for that sum of money. As I said in my remarks earlier today, that is quite substantial. It's the equivalent of building three new Queen's universities or four new Durham colleges, which is a substantial undertaking indeed.

1050

With respect to the highway system, some \$936 million will be spent this year. The highway system and transportation needs in Ontario I think have fallen behind over the last several decades. I think it's incumbent upon the government to look for ways to stimulate growth with the help of the private sector in the future.

The health care system, which you talked about earlier, is always going to have tremendous capital needs. We've earmarked a little over half a billion dollars for the health care sector this year.

The SuperBuild corporation itself: You will see, hopefully next week, some announcements with respect to the structure of the advisory board of directors, bringing in people from all different walks of life to advise the government on different things we could do to entertain proposals from our broader public sector partners and the private sector on new and different ways of financing projects. I think Highway 407 is an example of what can be done. It's only one example, but I think it is a very good example of meeting some of the future transportation needs of the province.

The financing of the Toronto Hospital: That was a very interesting exercise that perhaps can be used and duplicated in other areas of the province in the future.

These are only a few suggestions of things that have been done to date. The SuperBuild corporation really is just getting up and running now. I think our agenda for the fiscal year that's going to end March 31 was outlined pretty well in last year's budget. From here on in I think it will be a lot more innovative, and I think you will see that in the weeks and months to come there will be many different projects and many different ways of financing them in concert with our broader public sector partners and the private sector.

Mr Phillips: So we don't have any yet.

Hon Mr Eves: We have the ones I just talked about for this fiscal year.

Mr Phillips: No, private sector. The only one you mentioned was the 407, but you haven't got any in the SuperBuild fund yet.

Hon Mr Eves: No, but I think you will see the announcements start to roll out as early as next week.

Mr Phillips: Just for my information, this SuperBuild group is an advisory group, but the decisions and the management of capital projects are still within the public service?

Hon Mr Eves: Yes, absolutely. They will be an advisory group only to the CEO of the SuperBuild corporation, Mr Lindsay, and to the privatization committee of cabinet, which I chair, and of course ultimately to cabinet itself. Committees of cabinet, as you know, make recommendations to the cabinet body as a whole, and the cabinet body as a whole makes the final decisions. They in no way will have decision-making ability. They're an advisory group only.

Mr Phillips: On a different subject now, tax fraud and abuse, the hotline that you announced some time ago for people to report on suspected tax fraud and abuse—I think the number was TIP-INFO—I haven't seen an updated status on that. I've seen the updated status on the social assistance but I haven't seen it on the tax fraud and abuse issue. I'm just wondering if you can give us a status report in terms of how many people now are working in that area and whether you've done the same: have sort of posters produced and tacked on bulletin boards and whatnot.

Hon Mr Eves: They are in the responses to your questions. I can either read them into the record now or you can receive them later, whichever you prefer.

Mr Phillips: I'm just wondering how well it's going and how many people you've prosecuted, sort of an updated summary, not unlike the one you produced on the social assistance.

Hon Mr Eves: With respect to the tax fraud hotline, the tax fraud hotline was discontinued after being in use for one year. It was found that the hotline was little used and those who did use it provided little relevant information. Many of the calls dealt with federal government matters and personal opinions. Those who did provide information generally lacked the needed specificity for the government to take action.

Tax fraud is a crime that's invisible in many ways to the public, and the ministry has found that vigorous audit and investigation procedures have been more successful. We have increased our audit staff in revealing tax fraud. We don't use posters as a publicity measure. The tax revenue division does issue prosecution news releases to the media about significant prosecution cases to create a deterrent to evasion, to foster public confidence in Ontario's tax system and to encourage continuing voluntary compliance by honest business operators. We do use periodicals. The ministry uses periodic tax enforcement bulletins summarizing prosecutions and other enforcement activities. During the two years ending March 31, 1999, 97 voluntary disclosures were received and \$4.8 million in back taxes were recovered.

During the period from April 1, 1995, to March 31, 1999, there were 207 prosecutions for evasion of Ontario taxes. The courts imposed fines totalling \$6.5 million in these cases, plus eight jail terms. Civil negligence penalties totalling \$2.5 million were levied, and tax assess-

ments totalling \$22.5 million were raised. Approximately 1,800 less serious infractions were prosecuted by way of the Ontario certificate under part 1 of the Provincial Offences Act.

Mr Phillips: I'm going to change the subject now, but we'll get back to that later. Your economic statement that you released in late November said that exports now represent a larger share of gross domestic product "than in any other province or any major industrial country."

I was looking through your document on attracting industry into Ontario. It does point out the tax structure for manufacturers is competitive, but it's the health care and the supply of a well-educated workforce that seem to be the two major reasons for people looking at investing in Ontario. I wonder if that still is your experience and whether we are at any risk as we look at health care being increasingly funded not through the government but through the private sector, whether either of those things begins to put at risk what you've indicated are the two key reasons why companies are investing in Ontario.

Hon Mr Eves: I don't believe so, personally. First of all, there is a fair amount of—as you know, it has been a subject of much debate in the media lately. The percentage of health care dollars that comes from the private sector, I believe, is in the neighbourhood of some 30%.

I think officials in governments at both levels, provincially and federally—Mr Rock, the federal health minister, very recently mused about new programs that could involve provinces and others. I think this is an ongoing challenge that all governments have, but I still firmly believe that in Canada we have the best public health care and the most accessible health care system anywhere in the western world. It's not perfect. There are things that can be done to make it better. There are changes that can be made. I think that's the constant challenge. But I think that is a huge attraction for people locating in Canada and, in particular, the province of Ontario.

Are there pressures on the system? Absolutely. There are always pressures on the system, and we always have to try to be vigilant to respond to those as quickly and effectively as we can.

For the education system, I would have some very similar comments. I think we have the best public education system anywhere in the world. Is it perfect? No. Can it be improved upon? Absolutely.

1100

I think we recognize that area. We were just talking about it with respect to SuperBuild in this fiscal year and the \$742 million that we're reinvesting in I think much-needed and important infrastructure in the college and university sector. That pressure is going to continue to grow in future years as we go through the double cohort. As we have highly specialized and new technologies being developed, it's incumbent upon the college and university sector, in concert with the private sector—many of these projects and proposals that have gone into the ministry of colleges and universities have a substantial private sector component because the private sector understands that it's in their best interests to be

understands that it's in their best interests to be partners in this.

I was in Mr Duncan's hometown last week, talking to officials with St Clair College, the University of Windsor and DaimlerChrysler. The comment made by Mr Brust, the Canadian president of DaimlerChrysler, is that we realize that instead of retraining employees after we get them from the university or college sector, it would be better for us and everybody concerned if we got in on the ground floor and started investing our millions of dollars that it cost us anyway to produce the skills people need that will be appropriate to immediately step into the marketplace.

Just last year, I believe, the University of Windsor produced its first automotive engineering graduates from a very interesting course that's done in concert, again, with St Clair College and with the private sector. I am told that those graduates are being snapped up at an alarming rate and they are receiving very substantial starting wages, which makes the odd professor rethink his or her station in life, I suppose, as they're teaching graduates who sometimes are being paid more in their first year than the people who taught them. It's an interesting problem. However, I think it's a problem we would like to have more and more in the future.

Mr Dwight Duncan (Windsor-St Clair): Just one other question: I met with officials at the University of Windsor last week. We talked about the SuperBuild fund and the application process, and they expressed anxiousness, obviously, to hear announcements about that, but they also expressed concern about the input that both the cabinet and your government caucus are going to have on these decisions and the amount of political involvement that's going to go on in those. I wonder if you talked about cabinet's ability to make decisions in this regard. What role does the government caucus have in these decisions, and have they been involved up until now?

Hon Mr Eves: Not to my knowledge. The government caucus has no role in these decisions.

Mr Duncan: These are not discussed at caucus?

Hon Mr Eves: Not to my knowledge. The Ministry of Training, Colleges and Universities I understand has a system whereby they rank—I'm not talking political rank now; I'm talking civil servant or bureaucratic rank—the hundreds of proposals that have been received and, if they fit the bill, then I suppose a certain percentage will be funded. As you know, \$742 million is a lot of money but it only goes so far. It's quite obvious that not all the projects will be able to be funded. But this is, I think the ministry has made it clear, only the first round. There will be many, many more rounds of this, as I alluded to in my remarks.

I think this is only the first of many such investments that the government is going to have to make, the broader public sector and indeed the private sector, in the college and university system in Ontario if we're going to respond to the needs and challenges of the workplace of tomorrow.

Mr Duncan: Can you tell us what the total value of applications is this year for colleges and universities?

Hon Mr Eves: No. I don't have that figure, Mr Duncan, off the top of my head, but I probably could find that out.

Mr Duncan: Could you, please.

Mr Phillips: Gambling revenues are of interest and—

Hon Mr Eves:—near and dear to Mr Bradley's heart.

Mr Phillips: Yes. We understand that slot machine revenue is exceeding expectations, that if you proceed with the 9,600 slot machines, which we gather you are, the provincial share of the revenue could be over \$500 million. Is that accurate? That's based kind of on the London, Ontario, experience. What are your expectations for expanding the 9,600?

Hon Mr Eves: We haven't broken it down that way, but I will read you the breakdown that was the response to your question number 4, I believe.

Total gaming revenue in Ontario in the current fiscal year is expected to total \$1.925 billion. This includes both the net income from the Ontario Casino Corp, which is guesstimated to be \$995 million, and the Ontario Lottery Corp, which is projected at \$930 million. That is further broken down into traditional lottery revenue, which would be \$740 million, and four charity casinos and slot machines at racetracks, \$190 million. That brings a total gaming revenue of \$1.925 billion.

The Chair: With all those dollars mentioned, Mr Phillips, I'll give you one more question, because your time is up.

Mr Phillips: Maybe I'll ask the same question and see if I get an answer to it. Just what are your expectations of these? You now have several months' experience with the slot machines. You are installing 9,600. Is the \$500 million estimate—and surely you've done the estimates—accurate?

Hon Mr Eves: I don't have a breakdown of the slot machine revenue per se, but I will obtain that for you from the appropriate minister.

The Chair: Mr Christopherson, you have 30 minutes.

Mr David Christopherson (Hamilton West): My apologies for being late. As some of you know, I witnessed an accident on the way here, where a senior citizen, 88 years old, was hit by a car. I was the one who called 911 and stayed.

I raise that both to explain my lateness and to say to you, Minister, that nothing focuses the mind on what's important more than when you see someone who has been hurt and you feel the panic we all have when someone is suffering.

As I was phoning 911, it crossed my mind, "I hope the paramedics aren't tied up elsewhere because there's critical care bypass in place in Toronto and they're either having to go further afield or wait longer because there are no beds." All these things can factor into whether this gentleman, this senior, is going to receive the kind of care he is entitled to.

I also haven't heard anybody talk about the fact that while you paint a rosy picture in terms of macroeconomic

numbers, what about the growing number of poor who exist in our society? A report, called Canada's Great Divide, was published just the other day by the Centre for Social Justice. You will know, Minister, that this is the second report flowing from their initial report that talked about the growing gap. They can show, through StatsCan figures, that while you talk and brag about great macroeconomic numbers, the reality is that the middle class in your Ontario is losing ground. They have less income, their income is sliding, and the poor are poorer than they've ever been and there are more of them.

During the time we were in office, which was during the worst recession since the 1930s, we made some decisions that you of course criticized and ran against strongly. But the stats now show that the steps we took in the early 1990s not only ensured that there wasn't a continued growing gap between those who have and those who don't, but we were able to narrow the gap, so there was a smaller gap. That was during a recession. During the biggest economic boom we have ever seen in North America, the middle class is losing ground, parts of the middle class are becoming poor, the poor are becoming poorer and there are more of them.

Minister, how do you justify these two Ontarios: the small part of Ontario that's happy with what you're doing because they're benefiting and the vast majority of middle-class Ontarians who are losing ground, losing income, having increased insecurity, losing benefits from the community? When we talk about the poor, they are being crushed under your policies. How do you justify creating, maintaining and moving us into that kind of Ontario?

Hon Mr Eves: Mr Christopherson, you won't find it surprising, I'm sure, that I probably disagree with your basic premise. Having said that, some of the points you make are very valid and they're well taken. I think it's been a concern of many governments that middle-income Ontarians end up seeming to pay the load for most of society, and the burden upon them appears to be getting larger and larger.

1110

We tried to do something about that. One might argue that it hasn't been enough, but we've tried to do something about that, for example, with respect to how we've tailored our tax reductions. We purposely made the percentage—and I realize there's a difference in real dollars—but in the first 30% tax reduction, the percentage of tax reduction from the more modest end of the income scale to the highest end ranges from 41 point something at the most modest end up to, I believe, 16.7% at the extreme upper end. So we've tried to give middle- and modest-income Ontarians a break in terms of tax reduction by giving them a greater percentage break.

In terms of total dollars—not for the individual taxpayer but total dollars—I believe that well over 75% of the money, if you want to look at it that way, of the tax benefits has gone to modest- and middle-income Ontarians. In every single budget we have introduced, we have tried to improve, and we have improved, the Ontario tax

reduction program, so that we now have 650,000 Ontarians, as I said in my remarks, now paying no Ontario income tax at all, who are paying some federal income tax.

Is it enough? Probably not. I hope that we see in Mr Martin's budget in the next few weeks that the federal government, now that it acknowledges it will have a surplus and will be doing something about tax reduction, will address the problem of bracket creep as well; that they will address the more modest- and middle-income Canadians, which of course will also apply to Ontarians at those ends of the economic spectrum; that they will do something about payroll taxes, which of course kind of disproportionately hurt or hit more modest- and middle-income Canadians, because of course there is an upper limit at which you pay these payroll taxes. I think those are some things the federal government could do, following similar lines that Ontario and some other provinces have taken, that can help those people.

However, I think the best thing any government can do is provide individuals with the opportunity for gainful employment and participation in society. I believe—and I've had this belief throughout my stay in public life and before—that nobody really wants to be on social assistance. They aren't there because of choice; they're there because of necessity. It's not a nice thing. They all want to be contributing members of society, and they all want to be paying taxes.

I think we have to be ever-diligent in doing what we can to provide education and training for these people so that they can become gainfully employed. There are now more people working in Ontario than ever before. Is it enough? No, it's certainly not enough. Five point six percent is a great unemployment rate if you take it in recent historical terms. But it's still not low enough, and I believe it can go a lot lower and that more people can become gainfully employed. A number of people—almost half a million, as we alluded to in our remarks—have left the social assistance rolls and have found their way. However, that's not enough either. When you still have probably close to double that number on social assistance, it's still a very serious problem. The government takes it seriously.

Is our approach to resolving the problem the same as your party's approach would be? Probably not. That's what makes our democratic system what it is. I think we both want to achieve the same goal at the end of the day, but we just have different methods of getting from point A to point B.

Mr Christopherson: I appreciate that, Minister, but my difficulty is that if it were as simple as your last comments make it out to be, that we all want to get to the same place and it's just a question of taking different roads to get there, then this report would say that everyone is better off under your government's tenure, especially during the biggest economic boom we've ever seen in North America. Yet the reality is that during the biggest economic boom ever in North America, there are more people in deeper poverty than ever before.

Just to touch on one aspect of what you said, you talked about social assistance being a necessity and that no one wants to be on there. Then let me ask you, why would you cut their income by 22%? You didn't cut anybody else's income by 22%, but you went after the poorest of the poor and cut their income by 22%. How's that supposed to make them better off?

Hon Mr Eves: Going back to the 1995 election campaign, as you know, that was a commitment that our party made during the course of that election campaign. We did reduce social assistance, on average, I believe it was 21 point something per cent.

Mr Christopherson: It was 21.6%.

Hon Mr Eves: However, the social assistance payments in the province of Ontario are still well in excess of the Canadian average by some, depending on whose calculation you want to take, 10% to 14% or 15%. The objective, I think, should be to get people off social assistance, not to have them on social assistance in the first place. The fact that you have almost half a million Ontarians who are now contributing, taxpaying members of society who weren't a few short years ago I think is a tremendous accomplishment. However, as I pointed out in response to your previous question, there's still about twice that number on social assistance. That's not acceptable. We're going to have to continue to work at providing means of training, re-educating, educating, providing opportunity to those people so they can become gainfully employed, to have the opportunity and dignity of a job.

Mr Christopherson: Minister, you continue to put tax cuts at the centre of your economic policy, and we in the NDP maintain that tax cuts are not going to benefit the vast majority of citizens. Again, I come back to this report. You cannot run away or hide from the fact that in your Ontario, during the biggest economic boom ever, there are a greater number of people in poverty, and in deeper poverty, than ever before. I still haven't heard you say to me why that's OK.

Hon Mr Eves: I'm not saying that it is OK. I wouldn't agree with your first premise. There are many different ways of measuring poverty and levels of poverty. I'm really not interested in getting into a debate over methods of measuring poverty, what is the poverty line and what isn't the poverty line. I don't think any society should be satisfied as long as it has a single individual living in poverty. We're trying to do what we can do in terms of providing a climate so people can have the dignity and opportunity of a job and can be contributing to society. The province of Ontario alone can't do the entire task. About 60% of taxation revenue in Canada is taken by the government of Canada, not by provinces or municipalities. So I think you have to put all this in its perspective. We are trying to do what we can do to make the lot of Ontarians better. I think most Ontarians would agree that we have. Is it perfect? No. Can it be better? Absolutely, and we're going to continue to try and make it better.

Mr Christopherson: I'm certainly not a statistician or an economist; I don't want to get into a debate on measurements of poverty either. But the fact of the matter is

that using StatsCan figures, the trend lines, if not the specific numbers, can't be questioned. The trend lines show that in Ontario there is a greater gap in after-tax income now for everyone than there was when you took power. How, during this economic boom—I'm going to keep coming back to that—can you say that your policies are good for the majority of Ontarians when the majority of Ontarians are losing ground under your policies?

Hon Mr Eves: I don't believe the majority of Ontarians are losing ground under our policies. In fact, I think the overwhelming majority of Ontarians are gaining ground. I don't have the facts and figures in front of me that you have. It may be argued, I suppose, that the gap between the highest-income earner and the lowest-income earner has widened. I think in a society that is prospering, an economy that is prospering, obviously you are going to have people at the upper end who have more opportunity, who make more money. I'm not saying that solves the problem for the people at the bottom end; that's not what I'm trying to say. But I do think that could be an obvious consequence of a growing economy in any jurisdiction, not just here in Ontario.

Mr Christopherson: But the difficulty I have with that, Minister, is that that general premise of how the economy works didn't change in the 1990s; it's a question of what the government policies were and what happens to the wealth that's created here in Ontario. The fact of the matter is that we now have figures that show us, when we analyze them, that people are worse off. You can say the words, but the fact of the matter is that all the figures back up the argument that the middle class has less income under your policies and more of them are sliding into poverty; the poor are growing and they're in deeper poverty than they've ever been. That's during an economic boom. During the first half of this decade, during a major recession, because of government policies—in this case the NDP, where we chose to ensure that that gap wasn't increased—it actually got narrower.

1120

I'm going to come back again and ask you, how can you justify the fact that there are growing numbers of people in poverty during an economic boom? You keep saying everyone is sharing in this, and the fact of the matter is that they aren't. People are losing ground. Minister, there are more poor now than when you took office, during the biggest economic boom that we've ever seen. How can you justify that?

Hon Mr Eves: First of all, Mr Christopherson, I don't agree with your basic premise. Second of all, I don't agree at all that middle-income Ontarians, depending on how you want to define that, I suppose, are worse off today than they were. I think they're better off. They're making more money, they have more take-home pay; consumer confidence and spending attest to that. Those numbers are there.

I indicated in my statement that the major spending changes just between the second quarter and the third quarter in the province of Ontario's expenditures this year—two of the major ones are \$196 million resulting

from the Canada-Ontario social housing agreement and a \$106-million increase for child welfare. That's just in one quarter of one year, during the third fiscal quarter of this fiscal year.

One can argue, I suppose, that those things aren't enough to address all the problems in society—I'm sure they're not—but I think we have been somewhat diligent in trying to make the situation more equitable here in Ontario. But I go back to the fact that the provincial government doesn't levy the majority of taxes in the province; the federal government does—60%.

Mr Christopherson: Let me ask you, if this is what people are receiving by virtue of your government's policies, in terms of greater insecurity, less income, more poor, deeper poverty, during an economic boom, what can they possibly expect from you if this economic bubble bursts?

Hon Mr Eves: First of all, I don't think the economic bubble, as you put it—I don't regard it as a bubble—is about to burst. Today's economic growth, not only here in Ontario but across Canada and North America, is not a fluke. I don't think it just happens to be a blip on the radar screen. I think there are some very sound fundamentals in both the US and Canadian economy that aren't going to disappear overnight. Are these economies going to continue to grow, in the case of Ontario, at a 5% real GDP growth rate every year? No. It's unrealistic to think that's going to be possible. The growth rate may well slow down, but I don't think the growth rate in the economy is going to disappear overnight.

I think the best thing government can do is put our fiscal house in order so that we do have a surplus, so that we do have money for a rainy day, so to speak, so that governments, regardless of their political stripe, can respond to circumstances when the need occurs in the future. That's the whole debate, I guess, around EI premiums, in a way, and the size of the fund that's needed to carry the Canadian economy, in that case, through a downturn in the economy. That's the whole idea of getting to a balanced budget, stopping the growth of debt in the province of Ontario or any other province, for that matter, so that government will have money it can spend on important social programs for Ontarians or Canadians.

Mr Christopherson: Just on that, Minister, in terms of spending money on priorities, let's take a look at youth. You said yourself last November that the unemployment rate with young people is still too high. In fact, we know it's twice as high as for the rest of the population. We know that tuition fees are higher than they've ever been. We know that the fiscal pressures as a result of your cuts to transfer payments to primary, secondary and post-secondary education are putting further strain on the ability of these educational institutions to provide an education to the students. Young people are in debt more than they have ever been.

Again, let me come back to: How do you justify giving tax cuts that ultimately have led to a situation where more people are losing ground than ever before

and there are more poor—deeper poverty—than ever before? How can you justify continuing to spend money on tax cuts that exacerbate these trend lines rather than providing things like increases to universities, primary and secondary education, and tuition fee cuts? Why is your priority tax cuts over giving young people a real opportunity for a future?

Hon Mr Eves: First of all, I disagree with your basic premise. I don't believe that tax cuts have cost the Ontario economy anything. In fact, our revenue is up dramatically over what it was in 1995 when we assumed office. I know that was the spin that a lot of critics, not just political critics but other critics, gave to the government. They said we would be receiving, I think, \$5 billion less revenue a year than we were in 1995 if we went ahead with our tax reduction program. As you know, that did not happen. Revenue is dramatically up, in the neighbourhood of \$6 billion to \$7 billion, from 1995. Not only did it not go south \$5 billion, it went north \$6 billion or \$7 billion, a positive effect. You must admit that is quite a differential, \$12 billion or \$13 billion a year that was predicted by some that would happen. That hasn't been the case.

I think there is a basically different philosophy between our government and some provinces and the federal government, and I think the very question you just asked points out that difference in philosophy. The federal government can speak for themselves, but it's my observation that they regard tax reduction as some sort of luxury, that when you have money sitting around you'll spend it by way of a tax reduction. They almost regard it as an expenditure of government. I couldn't disagree more. I regard tax reduction as an incentive for people to locate and invest, and hence create employment, in Canada, or in our case Ontario, and I believe it increases revenue to whatever government you're talking about, whether provincial or federal. That certainly has been the case here.

There are 642,000 people working in Ontario today who weren't working in September 1995. Surely the actions of the government, but the economy of Ontario in particular, have helped those 642,000 people. Most of them are full-time private sector jobs. That's some 47% of all the jobs created in Canada during that period in a province that represents about 38% of the population. Surely something is happening in Ontario that isn't happening in other jurisdictions. When you have 642,000 more people working than were working before, surely that's good news for those 642,000 people.

Are we happy? Have we achieved nirvana? Absolutely not. But the unemployment rate has dropped from 9.4% to 5.6%, and hopefully it will drop even more in the future as more and more Ontarians become gainfully employed.

Mr Christopherson: Minister, we are far from using the word "nirvana." We have a situation in Hamilton where there's a woman whose mother was in Mexico, and the family certainly feels—and it looks like it on the evidence—this woman died prematurely because they couldn't locate a bed for her here in Ontario, even though

all the medical people had agreed that she needed to be airlifted and brought to Ontario. The thing that held it up was that they couldn't find a bed because of a further situation in Hamilton where hallway spots are now being designated as formal, acceptable places for people to be placed on gurneys and left there, and some of them treated there. So let's not start using the word "nirvana."

There may be parts of the population that you travel in who feel things are so good that you can begin to think about using that word. But there's a whole other world out there, a whole other world, and you are not talking about that world today.

1130

Let me also mention two quick things based on what you said, and then I'll ask another question.

The projections from your own ministry forecasted that in 1999-2000, in terms of personal income tax, the government of Ontario will receive, I believe, about \$1 billion less from personal income tax. That's not overall money. I'm not arguing that your dollars are up. That's going to happen when you've got the kind of economy that we have. But in terms of personal income tax as a source and a percentage of the revenue for the province of Ontario, your own figures project it's going to be about—and I'm going from memory; I don't have that figure. I see the deputy checking, and if I'm wrong, please correct me, but I believe it's \$1 billion less that you're projecting.

Also, when you say that some people would think of the \$5 billion to \$6 billion that the tax cut cost as an expenditure, it is an expenditure.

If you've got \$5 billion or \$6 billion and you have control over where it goes and you make a decision not to put it into health care, education, social services and environmental protection, all the things that in the opinion of the NDP you should have put it into if you had \$5 billion to \$6 billion to spend, and you choose instead to put it into an income tax cut that, on a dollar figure—let's not play with percentages—benefits the very wealthy far more than it does middle-income Ontarians and certainly a lot more than poor Ontarians who don't have any income to tax, you've made a decision to spend money there. That's an expenditure.

It's money that had you spent elsewhere in the economy in terms of investing in our infrastructures, and by that I mean schools, health, social services, transportation, all the things that are huge indicators as to whether or not we get investment, maybe the credit rating that Ontario has on the world bond markets would have improved. As it was, because you made that political decision to spend that money on helping the very well-off more than taking care of society's needs, as we have done traditionally and historically throughout Ontario, we might have a better deal on those international markets. As you know, it didn't budge the whole time you were in power from when you took over from us.

I'm surprised to hear you argue that a tax cut is not an expenditure. I believe even within the ministry they use that term.

However, I want to come back to the issue of students. Again, I haven't heard you talk clearly enough about the kind of future that young people are going into. First of all, many are choosing not to go on to university, because they feel they can't afford it. They can't afford to take on the debt they would have to as a result of rising tuition fees. Many who do are looking at their future and saying, "I hear the Minister of Finance telling me there are lots of full-time jobs," but a lot of those full-time jobs are contract jobs. We have to question what level of pay they are receiving. Is this enough money for young people to say: "OK, I want to go out and build a family, build a future. Is there enough security here? Can I get more than a six-month employment contract? Am I going to get paid enough that I can build a future as well as pay back the enormous debt I've now incurred in terms of receiving my education? Are the benefits there for me to support a family?"

I ask you again, Minister, what kind of future are you offering to young people in terms of what they see, especially when they realize that the unemployment rate for young people is twice what it is for the other demographic groups?

Hon Mr Eves: First of all, going back to some of the earlier comments you made with respect to personal income tax and revenue from all forms of taxation in Ontario, in the third-quarter finances that were tabled today, if you want to compare the actual public accounts of the fiscal year 1998-99 and the third-quarter finances that were tabled today, the difference is about \$600 million; \$17.190 billion is the actual number according to public accounts from the last fiscal year. The current projected amount is \$16.575 billion.

Having said that, we've had this debate—at least, Mr Phillips and I have had this debate—almost every year; and every year, if you go back, that number goes up. The reason it goes up is because, first of all, we don't know what personal income tax revenue we are going to receive from the federal government. We won't know that until after the end of the fiscal year.

The federal government does not update its numbers every month or even every quarter to the provinces. We're sort of, in some respects, flying a little bit blind so we make a conservative, cautious estimate.

Second of all, you will often find that money we receive this year could be attributed to other fiscal years than it is. But we don't, can't and shouldn't take that guesstimated money that we might get and that we probably will get into account under a PSAAB basis of accounting. The Provincial Auditor would shun that. Suffice it to say, and I think it's fairly safe to say, that if we're sitting back here next year that number for 1999-2000 will be greater than the number for 1998-99, just as the number for 1998-99 was greater than the year 1997-98 etc, and so it goes. Next fiscal year we'll have money that will be attributed into this fiscal year, but we can't take that into account until we know we actually have it. It wouldn't be prudent for us to do so and the Provincial Auditor would shun that very much.

With respect to the credit rating of the province of Ontario and its cost of borrowing, I would just like to remind members of the committee that the credit rating doesn't determine entirely the rate at which you can borrow money on the international marketplace. Since this government has been in power, the average Ontario spread at which we borrow money, over Canada's 10-year bonds, the average spread for our term of office is 21.5 basis points more. During your government's reign, the average borrowing cost, comparing Ontario to Canada 10-year bonds, was 59.4 basis points higher, more than double what we're borrowing at. During the Liberal government, Mr Peterson's tenure, despite the fact that during most of their tenure they had a AAA credit rating from most of the rating agencies—with some they had a AA; with some they had a AAA—their basis point borrowing cost average for their term of office was 43.8%. So who is borrowing money cheaper? We're borrowing at 24.5, your government borrowed at 59.4, and their government borrowed at 43.8. What's better? What would you rather pay: 24 basis points, 59 or 60 basis points, or 44 basis points? I'd pick the 24 if I'm the guy who is borrowing the money. If I'm the person who is borrowing the money and I have to pay it back, I want the lowest borrowing cost possible, not 59.4, not 43.8.

The people in New York can say whatever they want. I know what the province of Ontario has been borrowing money at on the international marketplace, and it's a lot cheaper than your government or your government was borrowing money at. They can call it a ZZZ credit rating if they want. If I'm borrowing at one basis point, I'll be happy to be called ZZZ. I don't lose any sleep over what some guy in New York thinks; I just want to know what the province of Ontario can borrow money at on the international marketplace. You may lose sleep over what people in New York think; I don't.

With respect to students, I think student enrolment is up in colleges and universities across the province. That would not indicate that students are not applying to go to college and university. This government certainly has understood that this is an important area, and we wouldn't be putting \$742 million in capital infrastructure and rebuilding in the college and university sector this year alone if we didn't. I think that's going to be an on-going problem in the next few years and a challenge for any government, regardless of political stripe, and I think we will continue to rise to the challenge.

The Chair: With that, Mr Christopherson, your time is up. On the government side, Mr O'Toole.

Mr John O'Toole (Durham): Thank you very much, Minister Eves, for the third-quarter update. It has certainly been enlightening and informative.

Minister, you went to some extent to pay an extreme compliment to federal minister Martin and his steady hand on the economy and I compliment that you went out of your way to do that. I just wish he had such a steady hand on Jane Stewart and John Manley. It seems he's had no—

Hon Mr Eves: I'm not going to go there either.

Mr O'Toole: No. It's my own particular interpretation of steady-handedness. Minister, I think you're being far too humble. I really think you should take some credit for showing the vision and leadership and the confidence to show Mr Martin that really your theory and Premier Harris's theory that tax cuts create jobs actually works. It's a new economic theory, and I think you should be commended publicly here for showing the good stewardship and confidence in the longer term to steady it through the difficult challenges that the opposition and third party have challenged you with this morning. Again, I'm more than flattered to work with you.

I think if any longer-term kind of example could be forced on Martin as they're considering their budget, the comments you've made with respect to the EI surplus, the regressive nature of that tax on jobs—the CPP really is a tax on jobs.

I commend you and encourage you, Minister, to keep the pressure on the federal government to follow through on the theory that by reducing taxes—Minister, again your understanding and your communication of it is so excellent. The way you put it is that the federal government thinks that tax cuts are a government expenditure. I think you've summarized it. They aren't around the whole mindset yet that it's the hard-working taxpayers' money. It's time we gave it back to them.

I've gone overboard here in complimenting, but you're the person at the helm, and Mr Martin should be applauding you for your leadership.

Of a more specific nature, Minister, as you know, my riding is Durham and I'm very proud to serve that riding. You mentioned a couple of times in your remarks this morning, and in your fiscal statement in November, Durham College. I am aware of the \$742 million that you and our government have committed to post-secondary to meet the challenge of the new millennium and the double cohort. When can I expect an announcement for the expansion of Durham College, one of the fastest-growing areas in this province? Can you let me in on that this morning, Minister?

Hon Mr Eves: I guess you'll have to ask Mrs Cunningham, the Minister of Training, Colleges and Universities. It's my understanding that she hopes to be ready to bring a proposal forward, and bring the list of successful proponents forward with respect to the \$742 million fund this year, within the next couple of weeks. But I will let her speak for herself with respect to particulars.

Mr O'Toole: I just want to thank you very much for your comments this morning, Minister.

Mr Ted Arnott (Waterloo-Wellington): I'd like to move the adjournment of the committee until 2 o'clock this afternoon.

The Chair: All those in favour of adjourning? Opposed? That carries. We're now adjourned until 2.

The committee recessed from 1143 to 1401.

MINISTRY OF FINANCE

The Chair: I would like call the committee meeting back to order. We have representatives from the Ministry of Finance.

First of all, I would like each and every one of you to introduce yourselves and your position. You don't have to give your ages. Your position will be fine, and your name.

You have an hour, and at 58 minutes I'll place the gavel over here so that you'll have two minutes to wrap it up.

Dr Bryne Purchase: My name is Bryne Purchase. I'm the Deputy Minister of Finance, a very young Deputy Minister of Finance for my age, although I will admit that when I started this job I had jet-black hair.

The Chair: Just like me.

Dr Purchase: I'll just introduce my colleagues sitting with me here at the table.

We have four slide presentations to make to the committee to give you a little bit more detail to assist you in your deliberations with respect to the 2000-01 Ontario budget.

To my immediate left is Mr Philip Howell, who is the ADM and chief economist of the office of economic policy. He'll make the first presentation on the Ontario economy.

Following him will be Mr Terry Hewak, director of the fiscal planning branch. He will bring you up to date on third-quarter finances. Following that, we'll ask two other gentlemen to join us at the table here: Mr Tony Salerno is the vice-chair and CEO of the Ontario Financing Authority. Mr Salerno will give you an update on our financing plan. Mr David Lindsay, who is the president and CEO of the Ontario SuperBuild Corp, will give you an update on the SuperBuild activities.

Mr Chairman, those are the four presenters of slide presentations for you. We'll be pleased to answer whatever questions the committee members may have, unless there are questions about our names and identities. We'll perhaps turn now to Phil Howell to take the committee through our slide presentation on the economy.

Mr Philip Howell: Mr Chair, I'm pleased to have the opportunity to address the committee.

Today the government released the third-quarter Ontario Economic Accounts. I would like to update you on the state of Ontario's economy based on the new accounts and provide you with an economic backdrop to assist you in your forthcoming hearings around the province.

Growth has strengthened dramatically since 1995 and provides a sharp contrast to the experience of the first half of the decade. The third-quarter data provide further evidence of the current fundamental strengths of the Ontario economy. They confirm that the 1999 economic and fiscal review estimate of 5% real gross domestic product growth is on track.

Growth since the middle of 1995 has been broadly based, as the slide indicates. Ontario's strong domestic

demand—that is, consumer spending, business investment, housing spending and government spending—has accounted for almost four fifths of total real economic growth over this period. Consumer spending has accounted for nearly half of GDP growth, reflecting strong employment creation, rising after-tax incomes and low interest rates. Business investment in plants and equipment makes up nearly one quarter of the real growth. Net exports account for just over one fifth.

The decline in the rate of inventory change is also noteworthy. In addition to reflecting strong demand over the period, it also points to dramatic improvements in businesses' ability to manage—

Mr Galt: A point of privilege: He's giving some beautiful information. Is there a handout for us to follow? Is this in the package here that I've missed?

Dr Purchase: We'll ensure that each member has a hard copy.

Mr Howell: Mr Chair, if you would like to wait a moment, we could distribute that.

The Chair: I think you can probably proceed.

Mr Galt: Go ahead. If there's one around, maybe they can be passed out. Sorry to interrupt.

Mr Howell: As I was mentioning about inventories, the decline over the period also partly reflects the increasing ability of businesses to manage inventories more carefully than was the case historically.

The third-quarter data released today show that real GDP grew 1.7% over the previous quarter. More impressively, growth over the same quarter in 1998 was 7.1%, the largest gain in 11 years. The increase was broadly based, supported by strong domestic spending as well as export growth.

This slide shows the quarterly growth pattern in Ontarians' consumer spending and disposable income. Spending on goods and services rose 1.8% in the third quarter, following strong gains in the first half of the year. Since the end of 1998, consumer spending has risen at its fastest three-quarter pace on record.

Healthy auto sales led the way, a trend which continued into the fourth quarter of last year. In fact, over the January-to-November period, unit auto sales in Ontario increased 12.1% from 1998 and are on pace to record the highest level of sales in a decade.

Solid personal disposable income growth has supported this spending. In the third quarter of 1999, after-tax income rose 1.4%, following gains of 1.3% in quarter two and 0.9% in quarter one.

Prospects for continued consumer spending growth remain favourable. Ontario's consumer confidence, as measured by the Conference Board of Canada's widely followed index, rose 6% in the fourth quarter of last year, reaching its highest level in 11 years. Since the end of 1995, Ontario consumer confidence has increased 45.5% compared to a 37.3% increase nationally. The recent surge in confidence in Ontario reflects strong job markets and rising after-tax incomes.

Real residential construction activity continued to grow in the third quarter, increasing 1.8%, following

strong gains exceeding 7% in both of the previous two quarters. Increased spending on renovations and repairs led the gain in the third quarter.

More recent evidence points to continued strength in the housing market. All area housing starts grew by 6.8% in the fourth quarter. Ontario's housing market was definitely very hot in 1999. For the year as a whole, housing starts rose almost 25% to over 67,000 units, while home resales increased 7.4% to a record level.

1410

The next slide shows the strength of business investments in recent years. Non-residential construction jumped 7.9% in the third quarter. For the year as a whole, business outlays for non-residential projects expressed in real terms are on pace to record the second-strongest annual gain ever. The value of permits for industrial and commercial structures rose nearly 14% in the first 11 months of 1999, compared to the same period in 1998.

Machinery and equipment investment declined 0.8% in the third quarter, after a 5.8% surge in the second quarter of 1999. This may have reflected Y2K factors: completion of Y2K preparedness in the case of many businesses in the first half of last year and an unwillingness to embark, prior to the end of 1999, on new projects that involved computing equipment.

Soaring corporate profits have been helping to finance the investment boom. Corporate profits rose 10.4% in the third quarter, reaching \$50.9 billion, the highest level ever in Ontario. Profits as a share of GDP climbed to 12.6%, which is the highest share in 20 years. The gains have been most marked in manufacturing, wholesale and retail trade and in the professional, scientific and technical services industries. In addition to encouraging investment, strong corporate profits are also a positive sign for future job creation and labour income growth.

Not surprisingly, business confidence is also rising. Although the Conference Board of Canada's index of business confidence is not provided at the provincial level, unlike their consumer confidence index, the Canadian index recorded a 7.1% jump in the fourth quarter of 1999, moving close to an all-time record high. Healthy business confidence reflects strong corporate profits, solid domestic and foreign demand, firming commodity prices and attractive financing conditions.

Trade, of course, is critically important to Ontario's success. Behind the 20% contribution of net exports to Ontario's growth since mid-1995 is growth of gross exports of 43.1% and gross imports of 42.3% of GDP. In the third quarter, a strong rebound in autos helped lift total exports 2.6% after a slight decline in the second quarter.

Export gains were widespread, with notable advances not only in cars and auto parts, but also in industrial machinery, telecommunications equipment and computers. Export growth was more than double the rise in imports, pushing the trade surplus up by \$4.2 billion to \$39.5 billion in the quarter. The other side of the trade equation is imports. Since 1995, import growth has roughly kept pace with exports. Private sector forecasters

expect export growth to account for a smaller portion of Canada's and Ontario's economic growth in 2000.

The next slide provides some perspective on the structure of our exports by commodity type. Auto products are Ontario's dominant export commodity, accounting for over two fifths of the total 1998 exports. This is about the same share as a decade earlier. However, the 11-month data for 1999 show auto exports increased 28% over the same period in 1998, suggesting the share may rise in 1999 once full-year data are available.

Of note is the growth in the share of various sorts of capital equipment exports, listed on the left of the slide: industrial machinery, other machinery and equipment, computers and telecommunications equipment. These have grown from 20% of Ontario's exports in 1988 to over 25% in 1998. Exports of primary products declined from over 11% in 1988 to 7.7% in 1998. This partly reflects lower commodity prices, but also underscores the reduced relative dependence of primary exports as a source of growth for Ontario.

This slide demonstrates Ontario's increasing trade integration with foreign countries, mainly the US. The bars compare the imported input content of Canadian exports for three key manufacturing industries in 1986 and 1996.

Little change has occurred in the auto sector, reflecting the high degree of integration already in place in 1986 stemming from the 1966 Auto Pact, which established a free trade region for North American car production. However, the other sectors are showing the impact of NAFTA and the US free trade agreement. A similar trend has occurred in almost all of the remaining top 20 Canadian manufacturing export industries. The widely touted benefits to Ontario from the Auto Pact integration may well be replicated in other sectors in coming years.

I would now like to turn to the economic performance of some major sectors. The composition of sectoral growth since the second quarter of 1995 has been broadly based. Manufacturing has accounted for over one third, partly reflecting the strength of Ontario's competitive auto sector. The share of wholesale and retail trade activity corresponds to healthy consumer spending growth, mentioned earlier.

Strong demands in both Canada and the US fuelled a 6.4% surge in auto production in the third quarter of 1999. The 1999 annual Ontario auto production of nearly three million cars and trucks is a record level. As mentioned earlier, Ontario auto sales are up 12.1% over the first 11 months of the year, on pace to hit the highest sales level in 10 years. Strong US car sales are also contributing to Ontario production gains. In 1999, US auto sales were up 8.5%, reaching a level of 16.8 million units.

Electrical equipment manufacturing output grew strongly in the third quarter of 1999 as well, driven by computer manufacturing, which jumped over 20%. The strong performance in the computer industry in 1999 was partly caused by Y2K-related factors, but the strong

upward trend in recent years reflects the role of computer equipment in the changing structure of the Ontario economy. Since 1996, the share of computer production in total manufacturing output has risen from 1.6% to 2.7% as of the third quarter in 1999.

Strong consumer demand contributed to a 2.9% rise in retail trade activity in the third quarter. Sales may have been boosted by the Eaton's liquidation sale. Wholesale trade for the quarter was up 1.1%.

I would like to turn now to look at Ontario's labour market to round out the overview of economic performance. More recent data is available for the labour market than for provincial accounts. The slide outlines quarterly job creation performance in Ontario since the beginning of 1995 and speaks for itself about Ontario's strong performance. Quarterly job growth in the fourth quarter of 1999 for Ontario was 70,000 jobs. For 1999 as a whole, the gain was 173,000 jobs, following a record 200,000-job advance in 1998. The largest gains occurred in manufacturing, up 63,000 in 1999, followed by wholesale and retail trade, which registered 31,000 new jobs.

The unemployment rate was 5.6% in December, the lowest rate since the middle of 1990. For the year, the jobless rate was 6.4%, down sharply from 7.2% in 1998.

The increase in full-time employment is particularly significant. The fourth-quarter gain of 70,000 jobs actually consisted of 83,000 new full-time jobs and a decline of 13,000 part-time. The pattern for the years 1998 and 1999 is shown on the slide. The willingness of employers to add full-time positions reflects business confidence in continued economic growth in Ontario.

1420

The next slide provides a picture of interest rates represented by the 10-year Canadian government bond rate. Over the past year, rates have edged up. However, long-term rates are well below levels in the 1995-97 period. While moderating growth, current interest rate levels are nevertheless consistent with a continued healthy pace of expansion.

The current view of private sector forecasters is that Ontario's remarkable recent performance will continue in 2000. In the economic and fiscal outlook released at the end of last November, the range of private sector forecasts for 2000 Ontario real GDP growth was 3% to 3.7%. The consensus among private sector forecasters has since moved to the upper end of that range. They expect that Ontario will again outpace the rest of Canada and all other G7 countries. Ontario's strong economic expansion will continue in 2000.

Mr Phillips: Mr Chair, just a question.

The Chair: Mr Phillips.

Mr Phillips: I need your estimates of the future. I appreciate this looking in the rear-view mirror, but this committee is looking ahead at the medium-term fiscal outlook. I assume that's coming, but what is of most importance to us, at least our caucus, is your outlook on revenue, your outlook on the future, your outlook on what sort of expenditures we've got over the next two to three years. I was interested that you've accepted the

federal government has its estimates over the next five years on deficits, so if we can get at least a three-year estimate on revenue—maybe it's coming, but I don't want to waste the next 40 minutes looking in the rear-view mirror.

Dr Purchase: With respect to forecasts, we've presented forecasts of the private sector for the economy. We do not have revenue forecasts for beyond what you see in terms of third-quarter finances.

Mr Phillips: Really?

Dr Purchase: That's correct. With respect to your question, Mr Phillips, the government has not in the past, as you know, produced multi-year forecasts. You might have asked that question of the minister this morning.

Mr Phillips: I assumed you were answering my questions this morning. He said I will get answers to my questions, and my questions were—

Dr Purchase: If I can recall, your question was with respect to the federal government multi-year forecast?

Mr Phillips: No. He said we'd be answering the questions that I gave you a week ago.

Dr Purchase: That's correct.

Mr Phillips: My questions that I gave you a week ago, he said, "We will provide answers this afternoon." They include revenue forecasts, so I assumed we would be getting revenue forecasts this afternoon.

Dr Purchase: Mr Chair, do you want me to respond now to Mr Phillips's questions or do you want—

The Chair: How long a reply is that going to be?

Dr Purchase: I'm just trying to get the specific question that I believe he's referring to in front of me—

The Chair: OK.

Dr Purchase: —for which we have written answers, and we'll table them.

Mr Phillips: In your presentation, you're not providing us with any outlook? This is all looking back, and you don't have your—

Dr Purchase: We're providing you with an update on the economy and the latest forecast of the private sector.

Mr Phillips: One number from the private sector?

The Chair: I won't entertain discussion across the floor. I think we'll go to the following presenter, and we can come back to your question during the question period.

Mr Phillips: The minister said I would get answers to my questions. If they're not forthcoming, then I want to know why.

The Chair: Who is the next presenter for the Ministry of Finance?

Dr Purchase: Mr Terry Hewak, who is the director of fiscal planning, will bring you up to date on third-quarter finances.

Mr Terry Hewak: What I would like to do, if you haven't had the benefit of actually looking at the Ontario finances that were released this morning, is just take you through that very quickly and also highlight some of the key changes that have happened this quarter and over the period since the tabling of the budget.

Turning to the first slide, as the minister mentioned this morning, the province is on track to basically eliminate its deficit and balance by next year. This year, we're on track right now to overachieve on the deficit target for the fifth straight year in a row. In 1999-2000, the deficit at \$1 billion is a full \$1.1 billion lower than the 1999 budget forecast of \$2.1 billion, and it's a full \$1.6 billion lower than the original balanced budget target of \$2.6 billion that was set for this year. You can see that we also have overachieved in each of the preceding years prior to that by quite a considerable margin. It reflects the government's prudent fiscal planning approach to its finances.

We turn to the next slide. This provides a summary of basically the fiscal framework for the province, its revenues, expenditures and deficit for last year, and then there's the comparison between the actual budget plan that was tabled in May versus the most recent update, the third quarter, which was released this morning. Then there's the in-year change, the change since budget. Looking at that table, you can see in the lower right-hand corner that the deficit this year at \$1.001 billion is down \$1.075 billion from the original budget plan that was tabled in May. It's actually \$25 million lower than the second-quarter results that were released several months ago.

Our current revenue outlook at \$59.835 billion is up about \$1.7 billion from the 1999 budget projection. That's up \$745 million from the level that was reported at second-quarter Ontario finances.

I'll get into the details in a moment, but as we'll see, the revenue increases are mainly due to higher tax revenue as a result of the strength of the Ontario economy and because of increased federal transfers under the recently signed Canada-Ontario social housing agreement. The province's spending, you can see on the chart, at \$60.836 billion is up about \$1.1 billion from the budget plan and about \$720 million from the second-quarter finances. This increase in spending is mainly to accommodate priority needs, with increased funding for hospitals, education, training, child welfare and, again, to accommodate the recently signed Canada-Ontario social housing agreement.

Looking at the second line from the bottom, you'll notice that the \$500-million reserve that was actually included in the budget plan was applied to deficit reduction in the last quarter, second-quarter Ontario finances. Based on the improved revenue outlook that we've been experiencing this year in Ontario's strong economic performance, reserve was eliminated at that time.

You'll recall that the 1999 budget plan included this \$500-million reserve, primarily on the recommendation of the Ontario Financial Review Commission that was set up several years ago that a reserve be put into the fiscal plan to basically protect it against unexpected and adverse changes in the economic and fiscal outlook.

This reserve is equivalent to the revenue impact of a 1% reduction in real GDP growth, about a 4% decline in

retail sales tax and about a 6% decline in corporations tax revenue.

Turning to the next slide, this particular chart just basically shows you the changes in revenue that have occurred this year, both the changes that have occurred this quarter, or basically the change from second quarter, and then it also shows you the cumulative change for each of these revenue components since budget. If you look at the bottom line, you can see that total revenue is up \$745 million this quarter and it's up about \$1.7 billion from the original budget projection.

1430

In terms of some of the key changes that have happened on the revenue side, you can see that personal income tax is \$905 million higher than the original budget forecast, and this quarter it's been increased \$500 million, based on preliminary information from the federal government, on the processing of Ontario personal income tax returns.

Retail sales tax: There's no change being reported this quarter. However, there has been a \$350-million increase reported in previous quarters, and this largely reflects the strength of business and consumer spending in Ontario in 1999.

Employer health tax: It's up \$50 million this quarter and from the budget projection. This is largely the result of employment and income growth in Ontario in 1999.

Land transfer tax: There's no change this quarter. However, we have reported adjustments in previous quarters of \$60 million from the budget, and this largely reflects the strength of the housing market in Ontario.

Government of Canada transfer payments: Federal transfers are up a net \$194 million in this quarter, and this is mainly due to a \$264-million increase in revenues from the recently signed Canada-Ontario social housing agreement. The increase was partially offset by a \$70-million decrease in the Canada health and social transfer payments due to the effect of higher income tax revenues in the CHST allocation formula overall, since budget federal transfers are up \$316 million in total.

Other revenue: It's up a marginal \$1 million in this quarter and a total of \$4 million from budget, and this is mainly as a result of OPP policing service contracts.

Turning to the next line, looking at the operating side, with changes this quarter and changes since budget, the province's net operating expenditure is up \$734 million this quarter and it's up \$1.63 billion from the original 1999 budget plan.

In terms of some of the key changes that have taken place this quarter, there is the public service OPSEU pension plan. This quarter we are reporting a \$200-million in-year increase in the public service OPSEU pension plan expenditure, which mainly reflects the impact on provincial expenditure of OPSEU's decision to use its members' share of actuarial gains in the pension plan for benefit enhancements and a contribution holiday. So under PSPP we've had to recognize this adjustment.

On the hospital side, you will recall in December there was a \$196-million increase in additional funding for

hospitals announced for front-line patient care and to assist hospitals with transitional issues, which we're currently reflecting this quarter.

There's a \$196-million increase being reported for the recently signed Canada-Ontario social housing agreement, which is fully offset by federal revenues. The new agreement was signed in November and combines numerous existing agreements with the federal government into one.

This quarter we're also reporting an additional \$106 million for child welfare. This is primarily to address volume pressures by the children's aid societies as well as additional transitional costs associated with child welfare reform.

There is also a \$54-million one-time assistance to municipalities being reported this quarter for business education property tax refunds and administration costs under the Fairness for Property Taxpayers Act.

In terms of forest firefighting, there is now \$10 million in savings being reported for forest firefighting, for a total change of \$64 million since budget. The overall in-year increase in spending for forest firefighting was basically caused by higher-than-average fire activity.

In terms of other changes that had been reported, not necessarily this quarter but in previous quarters, there's an additional \$107 million provided for the Canadian Millennium Scholarships. I believe this was in second-quarter Ontario finances, and it was fully offset by increased transfers by the federal government. We also have put in a \$100-million provision in the second quarter for restructuring in other charges. This is in recognition of the extent of restructuring that has taken place in the province. We put in a \$100-million provision. The details will be reported as the government makes further restructuring decisions over the course of the year.

There's also a spending increase of \$47 million that has taken place since budget. This is due to increased training costs for employment insurance clients. Again, this expenditure was also fully offset by federal transfers.

The last adjustment that you see is public debt interest. It's down about \$40 million from the last quarter, and a total of \$70 million since the original budget. The most recent \$40 million that we're reporting in this quarter is primarily due to lower financing requirements than projected at the time of the budget.

Turning to my slides, on the capital side you can see that overall our capital expenditures are down about \$14 million this quarter, and up a total of \$47 million from the original budget plan.

In terms of some of the key changes, there's a \$57-million increase which we reported last quarter for water bombers, for the planned acquisition of four remaining forest firefighting water bombers. In terms of changes this quarter, there are some minor savings or changes as a result on the capital side. First of all, for courthouse construction there have been some delays in various courts capital projects, and this has resulted in savings of about \$6 million. Under the community infra-

structure program, there are savings of about \$4 million there due to slower-than-anticipated completion of a variety of northern community infrastructure projects, including community facilities and water and sewer projects.

Overall, just to put things into context, because of the control on spending and the reductions in taxes to promote economic growth that have been put in place, the government has made significant progress in reducing its deficit. You can see from this chart that last year the provincial deficit has dropped below 1% of GDP for the first time this decade. This year the deficit is projected to fall to about 0.3% of GDP.

Mr Phillips: Have you got one future number in there?

Mr Hewak: We'll get to that later on.

The Chair: We'll continue with the presentation from the ministry.

Dr Purchase: Mr Chairman, this is Mr Tony Salerno, who is the vice-chair and CEO of the Ontario Financing Authority.

The Chair: Welcome.

Mr Tony Salerno: Thank you and good afternoon. I'm pleased to provide the committee with an update on the province's borrowing and debt management program. Because of a stronger economy leading to higher revenues, we have been able to reduce the province's financing requirements in this third quarter from the \$11.3-billion forecast in the budget plan to \$9.1 billion, a reduction of over \$2.2 billion in total financing requirements.

With a deficit of only \$1 billion, refinancing the maturing debt of \$8.1 billion has been the focus of the 1999-2000 borrowing program. Total long-term public borrowing for 1999-2000 is forecast at \$7.6 billion, \$1 billion lower than the budget forecast. As of January 26, 2000, the province had completed \$7.4 billion of its planned long-term public borrowing, leaving just \$276 million to be completed between now and the end of this fiscal year.

1440

The province issues were well received by investors. This is in spite of increased negative sentiments in both domestic and international capital markets.

I'd like to describe to the committee how we approached the financing markets so far this fiscal year. The Ontario Financing Authority takes a flexible and pragmatic approach to borrowing. Flexibility allows the OFA to take advantage of cost-effective financing opportunities, which is particularly important during periods of financial market volatilities.

A number of factors are taken into consideration in approaching the markets. First of all, we monitor international capital markets closely to ensure optimum timing of the launching of new bond issues. While the Canadian dollar market is the primary source of financing for the province's long-term borrowing, we will borrow in any major capital market where and when it is cost-effective for the province—I often say we're equal

opportunity borrowers when I do my investment road shows—our key objective, our primary objective, being that as long as the money is derived by legal means and we can bring it to the province in a cost-effective manner, we will go out there and pursue that borrowing for the province.

Mr Christopherson: That's a relief. I thought he was borrowing it from Vinnie down on the corner.

Mr Salerno: No, it's got to be legal. Absolutely.

We aim for a smooth debt-maturity profile for the province, to diversify the interest rate risk for the financing of maturities and floating rate debt. We also structure our debt products to meet the particular needs of investors and to meet our borrowing requirements, again in a most cost-effective manner.

As you see from the chart in front of you, the vast majority of the province's borrowing for this fiscal year has been in the Canadian dollar market. Examples of Canadian dollar borrowings include just over \$2 billion from Canadian domestic issues, another \$855 million from medium-term notes, \$247 million from a Euro-Canadian issue, and \$499 million from a floating-rate Canadian global bond issue. We also raised more than \$2 billion from this year's very successful Ontario savings bond campaign—another record year.

As also indicated in the chart, the most favourable foreign currency for the province this year has been the Japanese yen, where the province raised the Canadian equivalent of \$667 million.

The OFA manages the province's debt and liquid reserves prudently and cost-effectively. Annual borrowing and risk management plans are prepared by the Ontario Financing Authority. Key factors taken into consideration are the economic assumptions behind the fiscal projections, interest rate forecasts, foreign exchange forecasts, target rates for floating interest rate exposure, target rates for foreign exchange exposure, and contingency plans for forecasting errors.

We strive to be at the forefront of debt portfolio management and performance measurements. The cost-effectiveness of borrowing, debt management and investment activities are measured daily against benchmarks approved by the OFA's board of directors. This ensures that management is aware of any financial market volatilities and obtains the necessary background intelligence to take immediate actions.

As you can see from the slide, we are well within our exposure limits for both foreign exchange and interest rate exposures. With the government's commitment to balancing the budget and debt reduction, the OFA will be funding primarily for maturing debt in the future.

Dr Purchase: I now introduce Mr David Lindsay, the president and chief executive officer of the Ontario SuperBuild Corp, to make a presentation.

Mr David Lindsay: Good afternoon. Thank you for the opportunity to present to you this afternoon. I should make it clear that we also, like the OFA, make sure all our transactions are legal.

SuperBuild follows through on a commitment of the government in the 1999 provincial election campaign, and that was a commitment to start thinking in a more long-term, strategic fashion about the capital planning and investments for the province. Earlier, in the last mandate of the government, we had a report commissioned under the Ontario Jobs and Investment Board that drew on the experience of investors and players in the economy from across the province, and it drew attention to the infrastructure deficit as one of the challenges we had for Ontario's economy. The potential economic costs of failing to keep pace with our growth pressures and our capital investments are impeding our abilities to compete with jurisdictions close and far.

During the last provincial election campaign the government called for a more consolidated capital program in the Ontario government by more closely integrating the capital planning activities that at that time were scattered across 15 different ministries of the government. The government cited roads and hospitals, schools, and technology links as the key targets for the SuperBuild investment program.

The province proposed government investment in SuperBuild of \$10 billion over the next five years, and we've been challenged to seek an additional, at minimum, \$10 billion from the private sector partners and our transfer partners to create innovative financing and private sector partnerships.

The SuperBuild initiative was confirmed in the spring budget by Finance Minister Eves and the provincial capital budget was essentially rolled into the SuperBuild program starting this fall. Of the \$10-billion, five-year commitment, the government has allocated \$2.9 billion for this first fiscal year of the program.

The budget re-emphasized the key SuperBuild themes: Capital will be more strategic by focusing on the investments that are important to Ontario's economic prosperity and growth; partnerships were key to leveraging the government's initial investment and seeking additional partners and contributions; and partnerships would include both private sector and all public sector partners to achieve our goal of economic growth through infrastructure investment.

The government's \$2.9-billion investment for this year is well underway, and the chart in front of you breaks down where those numbers have been allocated. About three quarters of this year's SuperBuild investment is focused on three priorities: highways, at \$936 million; post-secondary education, at \$742 million; and our health care sector, at over \$504 million.

Some of the highlights embedded in those programs include our strategic highways corridors—investing in Highways 401, 409, 410, 417, 8, 69 and 17. Investment in highway rehabilitation is designed to bring 90% of the provincial network to its optimal state of repair by the end of the next fiscal year.

About \$660 million of the \$742 million allocated for the post-secondary system will target additional spaces

for the echo boom generation coming through in our colleges and universities system.

In addition, with the new economy, thinking to the future, science and technology investments will also be a focus of SuperBuild and the provincial government.

The biotechnology commercialization fund was \$20 million for business incubation centres in this new and growing part of our economy. The optical Internet R&D network is also a significant investment. The next generation of optical Internet has 1,000 times greater capacity compared to our existing Internet capabilities, and that will position Ontario for the new e-commerce industry and businesses that we are facing.

The Ontario SuperBuild Corp was established to lead and operationalize the SuperBuild initiatives on behalf of the government. SuperBuild is responsible for providing capital policy advice to the new cabinet committee on privatization and SuperBuild; providing leadership across the Ontario government for capital planning; making recommendations on partnerships and innovative financing proposals that originate both from within the government, across the various ministries, as well as from external advice and suggestions we receive; working and sharing information with the province's private sector and the broader public sector transfer partners so that we can collectively raise the ability to attract new partnerships, invest in new infrastructure; managing our existing asset responsibilities more effectively. It is also responsible for pursuing the government's privatization and commercialization objectives.

1450

The last two responsibilities that we have are to provide opportunities for stakeholders, experts and citizens to input their ideas and their proposals on provincial capital priorities, as well as partnerships for new and creative financial solutions, and finally, to report publicly on the province's current and long-term infrastructure priorities, the projects funded by SuperBuild, the partnership and financing approaches being pursued and the economic benefits that we hope to trigger as a result of our efforts.

As I indicated earlier, the investments in SuperBuild are well underway for this fiscal year. We are also making progress in implementing the necessary reforms internally so that our capital decision-making processes are refined and improved.

The cabinet committee has been up and running since November. For the first time we have a cabinet committee in Ontario dedicated specifically to infrastructure and capital investment decision-making.

I took on the position of president and CEO in December of this year. I have now been on the job for, I think, about 39 days. We have a small secretariat we're starting to put together. We have been given an allocation of up to 25 professional staff who will help lead the capital planning process, provide advice to the cabinet committee as well as to the line ministries, and help evaluate and negotiate partnerships and financial proposals.

We expect to announce the first series of sector-based consultations or round tables in the coming weeks as part of our commitment to engage both internal and external advisers and experts and stakeholders in our partnership program. The pre-budget consultation hearings that will be led by the minister will also provide us with additional input into the capital investment priorities across the province and what should be considered for the 2000 budget.

We see an opportunity to develop a strategic coordination across Ontario, coordinating Ontario proposals in response to the possible federal-provincial-municipal infrastructure program, as well as other creative initiatives, to improve and enhance our infrastructure in Ontario. We'll be aiming for a head start on next year's capital planning, and the cabinet committee will coordinate that throughout this fiscal cycle in preparation for next year.

That concludes my presentation.

The Chair: Each caucus will have 20 minutes for questions and comments. We will start with Mr Christopherson.

Mr Phillips: Just before we get started, can I have the answers to my questions so I can look at them while we're proceeding here?

Dr Purchase: Yes, sure. I'm sorry, Mr Phillips, we're still making a few changes to them, but they'll be available to you shortly.

Mr Phillips: What do you mean, "shortly"? In five minutes?

Dr Purchase: Yes, a few minutes. Before you finish your questioning.

Mr Phillips: I'd like them before I start.

Dr Purchase: I appreciate that. We were planning to give them to you in written form. The minister answered several of your questions this morning and we anticipated being able to answer them again verbally now, and we were—

Mr Phillips: I'm sorry. But you said the answers were available to me in written form this morning.

Dr Purchase: Yes, and they are being prepared in written form and will be available to you as soon as we can get them to you. Quite frankly, they were updated in response to some of your morning questions. That's all. That's why they're not available.

Mr Phillips: Just give me the ones you've got.

Dr Purchase: We've just gone out to try and do that.

The Chair: OK. Mr Christopherson, you've got 20 minutes.

Mr Christopherson: Thank you for the presentation. I remember some of you from what I refer to as the good old days. I won't damage anybody's career by mentioning any names, but it's good to see some of you again.

A number of questions in no particular order: You talk a lot about the increase in consumer confidence and consumer demand—consumer confidence bursting through the ceiling, actually, if we look at the chart you provide. I wanted to ask about corresponding figures that start to expand the picture. When we look on page 24 of

one of your handouts, the bottom line—a favourite place for economists to go to—"Personal Savings," the numbers start in calendar year 1992 and they show a personal savings rate of 16.9%. If we go to page 25, second quarter in 1995 when the new government took over, the personal savings rate was at 10%. It has continued to drop every year through to current, where we're now at 3.2%. So while consumer confidence is booming and people are spending, it would seem that they're spending money they don't have.

I do my best not to make these political partisan questions. If you feel they are, I'm sure you'll jump and use that as your first line. However, could I ask you what potential concerns you think we ought to be concerned about, given that 3.2% and the possibility that some economic booms just don't last forever?

Dr Purchase: I'll begin, and then maybe Mr Howell will add to my answer. I think that first of all this is a general phenomenon. This is not something that is unique to Ontario; it's Canada-wide. You can also observe it in US statistics. In the United States, personal savings rates have gone to extremely low levels by historical standards. These are a bit misleading. What has happened is that because there has been a substantial increase in household wealth as a result of stock market gains—

Mr Christopherson: Paper wealth.

Dr Purchase: Well, it's all paper wealth in one sense, I suppose, but as a result of stock market gains, people either participating directly or through their pension plans and stock markets, that has encouraged them, and they simply don't have to save as much out of their current income.

Mr Christopherson: I understand.

Dr Purchase: That's one thing that accounts for the current decline in savings rates. The other is simply the general confidence that people have in this expansion. But you wanted me to address the question of what—

Mr Christopherson: I didn't need an explanation of why it was happening. My question really was, what is the potential for problems here in terms of what this number means?

Dr Purchase: If I could make one other relevant point before I move on to what it means: At the same time that you have personal savings rates declining, you also have, of course, the government sector closing in now and becoming a net saver, and not a dis-saver any more, since the deficits have been eliminated at the federal level and are about to be eliminated in Ontario, and a number of other provinces have reached that stage already. While you've got a decline in household savings, eventually you're going to get an increase in government savings. So there's a bit of a reversal of what you would have seen in that earlier period you were talking about, where we had very high dis-savings by governments and substantial net savings by individuals. There is a bit of a balancing effect in these things that offsets any future concern you might have. If everyone were dis-saving all at the same time, if both governments and individuals were dramatically reducing their saving or increasing

their dis-saving, if you like, then I think we would have a great deal more concern, if you listen to the private forecasters in Canada or the United States on this, than anyone currently has: What does this mean about the future? Does this mean we're more vulnerable to an economic slowdown?

1500

For individuals, if there were an economic slowdown or if something were to happen to the stock market, then I think we should anticipate that you'll get a jump up in the savings rates, so there will be some restoration, or a move back if you like, to what we experienced in the 1980s and early 1990s in terms of high personal savings rates.

But those high savings rates, again, reflected the environment that people lived in and the anxieties they had at that time. These current lower savings rates reflect similarly, in my view, a great deal more confidence in the environment they live in and presumably confidence in the future as well.

Mr Christopherson: I agree, and that's why I linked the two when I asked the question, because obviously they are tied. I have to tell you I'm not as convinced that the average person—there may be others who can offset losses in mutual funds through discretionary income, but the vast majority of Ontarians don't have that kind of money, and they're planning that their job is going to continue, that the economy will continue, that their RRSP portfolio will continue to have the kind of assets they're looking for when they retire, and should they lose their job unexpectedly as a result of a downturn in the economy, I'm not so sure that it's as simple as sitting down one night at the kitchen table and saying, "Oh, well, we'd better jack up our personal savings rate to offset the fact that we just blew our retirement fund out the window."

Mr Howell: If I could just add to that answer, another important factor in looking at it is the capacity of consumers to service any debt that they're using to finance those purchases, and in fact the debt servicing capacity of consumers is higher today than it was in 1996. In other words, basically because interest rates have come down, consumers are able to carry the cost of the debt associated with that consumption.

While it's true that people are talking about inflation perhaps edging up a little bit next year, there really aren't any forecasters around who are predicting a significant spike in inflation, which suggests that it's unlikely interest rates are going to increase significantly over the foreseeable future. I think that's probably a huge part of what's driving the consumer confidence in that people don't expect that.

Mr Christopherson: Unlike all the experts who were predicting the 1987 fiasco.

If we can turn to Ontario Finances, the quarterly update, the last printed page, page 11, the heading is "Statement of Financial Transactions," the second line item, cash timing adjustments. The budget plan was to spend almost \$3.2 billion; \$2.2 billion of that is not going to be spent. Can you tell me why and what is not happen-

ing out there that was planned to have happen when the budget was produced?

Mr Hewak: The cash timing adjustments are essentially differences—the simplest way to think of it is that they are literally accrues, the difference between the cash line and the PSAAB line. What is typically in there is—for example, the biggest accruals we have are related to restructuring. That's about \$1 billion right there. These are expenses we have booked. We have already booked them in the past and taken them into account and recognized them in our books, but the cash may not have flowed yet or, if it has flowed, then we have to reverse that at this point.

Mr Christopherson: Because of what has been spent?

Mr Hewak: Because we've already taken that into account officially in the books. So when you're going between PSAAB and cash, you potentially double—

Mr Christopherson: Just so I can be clear, does that happen regardless of the activity in the economy in terms of either building something or providing a service? Would that have happened no matter what?

Mr Hewak: In the case of restructuring charges, you have to back it out because you have expensed it previously.

Mr Christopherson: But the money has gone?

Mr Hewak: That's right. The cash hasn't gone.

Mr Christopherson: OK. But my question is, what didn't happen out there? What didn't happen in our communities but was planned to happen in the budget?

Dr Purchase: What happens under PSAAB is that when we make a decision, we book the money. What actually happens to the money is a different story. In other words, when the cash actually flows is a different story. We book the money all right, but the cash doesn't always flow when we believe it will flow. Therefore we have these cash timing adjustments, which have an impact on the Ontario Financing Authority because they deal in real money and we deal in accounting, if you like.

Mr Christopherson: I want to deal with real communities. I want to know what didn't happen out there that was supposed to.

Mr Hewak: I think the biggest change was related to the school board loans.

Mr Christopherson: Are there hospital wings that didn't get built? Are there schools that didn't get built? Are there individuals who weren't hired to provide services? Is there something else that I'm not thinking of?

Dr Purchase: The only things that don't happen, if you like, are things where there would be a natural delay. There's nothing in terms of a policy delay. There may be delays in construction related simply to problems getting it going or strikes or delays of that kind, but there are no delays that emanate from us, if you like. There are more natural delays in terms of—

Mr Christopherson: I realize that. It was the natural delays that I was trying to get at, but I'm having difficulty. I understand that you are dealing purely with the

dollars. I wasn't looking for a policy change. It's just that this isn't an insignificant amount of money. It's not \$100 million or \$200 million—I can't believe I'm saying these things—out of a \$50-billion economy. We're talking about \$2.2 billion of money that didn't need to flow or have to flow or didn't flow. I was just trying to get a sense—and I may not be able to get it—of exactly what did not happen that the budget had planned would happen in our province to the tune of \$2.2 billion.

Dr Purchase: Tony, do you have anything you can add to the explanation here?

Mr Salerno: No, I think that in terms of the accounting explanation, it's purely that. In terms of the funding we are doing—we deal in cash—at the time of the budget because of a reconciliation of the PSAAB versus cash, we booked almost \$3.2 billion.

Some of these things could be repayments from municipalities or school boards. As you may recall, there were some flows that went to school boards that were repaid in this year. So some of that, which may not have been booked at the time of the budget, happened. I don't have a list of all the various ins and outs in those various transactions that could have happened, but right now the estimate is for \$2 billion less in terms of the cash impact, in terms of that reconciliation. It may not be actual buildings, as you are suggesting. Maybe it was roads. If it was roads that were booked as happening two or three years ago and these things have been delayed and are not happening, the actual cash flow isn't happening. But it may be just accounting reconciliation.

1510

Mr Christopherson: OK, thank you. Maybe, Deputy Minister, if you can get back to me, because I only have 20 minutes, I'll move on. If you could perhaps get back to me with that undertaking, I'd accept that at this stage.

Mr Salerno: Yes.

Mr Christopherson: Again, it's the significance of the figure. I understand that there is always movement back and forth, but \$2.2 billion is a lot of money out of a budget where you're announcing to take some action.

Mr Salerno: Absolutely.

Mr Christopherson: If I could, Mr Lindsay: The SuperBuild—and I'm doing something now that we and lawyers should never do, which is to ask a question we don't already know the answer to, but I'm going to. How much of that \$10 billion would already have been spent, given the fact that you've assumed, as I understand it, all of the expenditures across government for capital expenditures? You've rationalized all of that into one entity, so therefore all of those existing capital budgets would also be collapsed into and form part of the SuperBuild. Can you tell me how much of the \$10 billion would be existing capital expenditures that were already planned anyway, that would be planned by the line ministries?

Mr Lindsay: In last year's budget, the number for the rollout for the next year was \$1.7 billion, so that's only as far as last year's budget predicted into the future. It was decided in another forum by our political masters that

they wanted to stabilize the capital commitment, so they said \$2 billion a year over the next five years.

I think part of the realization on the part of the government was that capital planning had not been over a long, extended period of time. Individual engineering studies were being commissioned and individual decisions were being made ministry by ministry, but in terms of pulling together the capital decision-making of the government, it hadn't been done in an organized fashion. This was the first attempt to do that. The only explicit prediction for capital expenditures on the part of the province of Ontario for next year was \$1.7 billion.

Mr Christopherson: So it's \$2 billion each over five years, just so I've got my numbers right.

Mr Lindsay: Yes.

Mr Christopherson: And out of that \$2 billion, how much is money that was already on the books by line ministries? Would you say it was \$1.2 billion?

Mr Lindsay: The answer I gave was \$1.7 billion. It was in last spring's budget for next fiscal year.

Mr Christopherson: It's \$1.7 billion; so for the contribution next year there's really only \$300 million of new money. The rest of it would have been spent if you'd done nothing. If you hadn't created SuperBuild, \$1.7 billion would have been spent regardless by line ministries. It's just that you folded it all up and feel you have a neater way of doing all this, but it's only about \$300 million of new money.

Mr Lindsay: If you follow that math, Mr Christopherson, then it was expected that we would spend \$2 billion this year and the government is now spending \$2.9 billion, so we've found \$900 million this year that the SuperBuild commitment didn't expect. I think you could play with numbers.

Mr Christopherson: I wasn't trying to. I was just trying to get a sense of how much of this is really new money.

Mr Lindsay: It's a new concept and a new way of strategically planning our capital. In terms of new money, the real challenge and excitement for SuperBuild is to find the private sector partners and our transfer partners, so that would be \$10 billion of new-found money coming from the private sector over the next five years.

Mr Christopherson: Hopefully there'll be better deals than the 407, because a lot of us weren't thrilled with the final sale there, but I appreciate your response.

You talked about the number of full-time jobs that have been created in the economy, and they're noted as being full-time. My question, I guess to the deputy: Do you have the breakdown as to what percentage of those jobs are permanent, how many of them might be contractual, and is there any sense of where they fit on the income scale in terms of, are these jobs paying relatively the same amount as full-time jobs five years previously or not, in terms of how you define full-time job?

Dr Purchase: I'm going to have to ask Mr Howell what the definition of a full-time job is.

Mr Howell: OK. In response to that question, the labour force survey is designed to inquire whether people are employed and whether it is full-time. Part-time, I believe, is less than 20 hours a week. But it doesn't ask questions around what salary people are earning, what wages they're earning in those jobs. It's really a survey that's designed to capture the overall movement and employment trend in the economy.

Mr Christopherson: If you're correct in terms of the 20 hours—and I accept that it may be a little different if somebody checked the details—as much as that is so, it's fair to say that even though the chart shows all these full-time jobs, for some people it takes two of those jobs to create one regular full-time job in terms of what people will usually look at.

Mr Howell: The vast majority of employment that is being created is in what I think you are calling regular full-time jobs, and reflects the kind of hiring we have seen and the growth in manufacturing industries, for example, where typically it's going to be somewhere in the 36- to 40-hour-week range.

I think the significance of the numbers is the fact that over the past few years what's been happening is that the part-time component of net job creation has been declining while the full-time component has been increasing, when you look at each month's net creation.

Mr Christopherson: If I find a job at 25 hours a week for six months, I would be in your chart as full-time. The reality is that a lot of people would consider 25 hours a week for six months to be part-time. But because by definition you cross the threshold, it pops up on your chart. I'm not saying it's the vast majority; I'm just saying it is quite plausible that X number of those jobs are in the category where they fit a technical definition of full-time, but in terms of what the average working person might think of as full-time, it's not really there.

Mr Howell: Subject to checking the precise terms—

Mr Christopherson: You will provide that to me?

Mr Howell: —I would say that if you look at trends in income and other indicators, which also have been going up over the most recent couple of years, the two jibe.

Mr Christopherson: Can you tell me what stats you base that on? That certainly is a different conclusion from others who have looked at the StatsCan numbers. Can you tell me what baseline of information you are using when you say that, overall, after-tax incomes are actually going up after they are inflation-adjusted?

Mr Howell: Statistics Canada national accounts and provincial accounts data—there is a disposable income line in those accounts.

The Chair: You have exhausted your time. We'll go to the government side and start with Mr Galt.

Mr Galt: Just three short questions to Mr Purchase: The first relates to your slide on page 3, showing sources of economic growth. We hear an awful lot about, "It's just because we're lucky with exports and because of the dollar," and a lot of other songs and dances that it's somebody else and not what the Ontario government is doing. Yet on this chart I see consumption at 47.5% and

net exports less than half of that. You hear so much from the other side that you almost start to believe them after a while because you hear it so often. But from this it's obvious that it's consumption that is driving our growth. Your comments on this?

Dr Purchase: In the early stages of this recovery, there is no question that the US was more important than this net number will show. But as time has gone on, the domestic economy has simply become more powerful and more a part of the growth pattern we are seeing.

Everyone says there is a tremendous degree of integration between the Ontario economy and the US economy, and 90% of our exports do go to the United States, which incidentally was a very fortunate thing in the fall of 1998, when the Asian economy went down and there was virtually no effect on the Ontario economy because such a small percentage of our exports went into Asia. So there have been significant advantages to us in this expansion by having as our predominant export market such a robust economy as there is in the United States.

1520

But having said that, what is absolutely clear and what we would anticipate will continue is that the economy now is being driven, even more than this chart shows, by domestic spending. This chart averages over a number of years, and in the beginning there was more stimulus, if you like, from the US economy, but in the latter part of this period there has been much more stimulus from the domestic economy. If we look forward, I think most of us would see that the US economy is going to slow a little bit from its torrid pace of the last few years, and on the other hand, we anticipate that domestic spending in Ontario will continue to grow quite rapidly.

Mr Galt: I interpret that gives stability to our growth into the future when it's domestic consumption.

Dr Purchase: Yes, we think so. We think that if you add the government's commitments to tax reductions with what most people anticipate will be a series of federal personal income tax reductions, this will be a very powerful stimulus to domestic growth, a stimulus which is sufficient—incidentally, in most people's minds one of the reasons why you see a strengthening Canadian dollar—to offset any slightly increasing interest rates that we probably will see in the next little while. Tomorrow, for example, we may well see an increase in interest rates.

Again, the reason is we've got a change in the mix of stimuli coming into the economy now. In the early stages of the expansion, monetary policy was trying to promote the expansion a lot. It kept interest rates very low, fiscal policy. Obviously everyone was working down their deficits at that time. Now we've got everyone cutting taxes or we think we will have everyone cutting taxes shortly.

Mr Galt: We're hopeful.

Dr Purchase: This will no doubt add quite dramatically to the stimulus in Ontario that we've already got from our own tax cuts.

Mr Galt: Great.

The Chair: Did you have a supplementary?

Mr Galt: Yes. Page 8 shows machinery and equipment leading non-residential construction. I'd have thought you'd build a building first and then buy the equipment and put it in. Why are equipment sales leading the actual construction of the building you're going to put it into?

Dr Purchase: What this chart indicates is really the overall average of machinery and equipment spending in the economy and the average construction activity. It doesn't mean to imply in any way the linking up of those two things. But there's no question that for much of the early stages of this expansion the big emphasis has been not on building new plants but on retooling the existing plants that you have. That's where all the new technology is embedded, in that new machinery and equipment.

When you have a very high M&E expenditure in the economy, implied in that is a much higher level of productivity growth in the future, because those new machines that you're putting in—you're replacing old machines—have greater knowledge embedded in them and have a much higher capacity in terms of output increases that they can sustain. So this high rate of machinery and equipment spending is very good.

Later on in the cycle, when you actually start to reach a point where now there are just simply not enough existing factories around, then you get people building whole new factories. They're no longer just replacing the machines they've got in existing factories or adding a little bit to existing factories; they're now coming along and building new factories, and new equipment goes into those. So that's why you see in the latter part of this expansion we've got the sudden increase in construction spending.

Mr O'Toole: Thank you, Mr Purchase, for a good presentation for all members. A couple of points. I think Mr Galt has covered the explanation of the revenue in your increase and I may pursue that if I get a moment.

I do want to question, if I could, Mr Lindsay on the SuperBuild Growth Fund. I think the question has been asked, is this sort of double accounting or is it just consolidated? I guess the first and simplest question is, in financial reporting, how is it going to show up: in a ministry capital expenditure, or is it going to be a separate rollout? For me to compare in-year and between years, if you're changing the capital component into—it looks like expenditure reduction within the ministry only it's showing up in another new—so it's a reporting question and it's a fairly straightforward one.

Mr Lindsay: We'll want to make sure, as Mr Salerno said, that we comply with the Provincial Auditor in all requirements that are made of us. But the intent is that there will be a much larger focus on the capital in our reporting method so that the Minister of Finance's annual budget report will remain as it has been. We will pull out and do an additional report detailing the capital expenditures.

Mr O'Toole: Explaining all the capital allocations and partnering and all the rest of it.

Mr Lindsay: Exactly. So we're not taking away some reporting and substituting it with new. We'll augment with an additional report.

Mr O'Toole: That's going to make it easier for the layperson to understand between your changes, policy and capital priority.

I'm very intrigued by a couple of the comments by the ministry this morning as well as in the budget statement in November and your presentation this afternoon, the \$742 million in the colleges and universities portion. I'm not sure if I was listening correctly. Was part of that \$742 million—that's for this quarter—to be part of the Internet e-commerce, the optical Internet, CA*net, that infrastructure piece? That's very critical, and I'm sure you're hearing it all time, in job creation and knowledge creation. Is that to be spent, am I correct, as part of the \$742 million?

Mr Lindsay: That's not part of the colleges and universities capital.

Mr O'Toole: That's a separate piece?

Mr Lindsay: That's a separate line item that is reflected under the slide that I showed earlier under "Other."

Mr O'Toole: OK, it's under "Other."

Mr Lindsay: It's in that bottom row of expenditures.

Mr O'Toole: It's a significant piece as well, some \$252 million.

Mr Lindsay: When you add up the \$2.2 billion, that amount is not a significant amount of money. I wouldn't want to give you the impression that a lot of money, on the \$2.2 billion we'll be spending on capital this year, is going to go to Internet or that type of infrastructure. There is \$20 million for the Ministry of Energy, Science and Technology in an incubator program to try and stimulate the biotech sector and then another—I don't have the numbers in front of me—\$7 million or so for the Internet project. I would be careful in using the word "significant." It's significant for our economy and for preparing for the new economy, but in terms of the total capital dollars we're committed to spending—

Mr O'Toole: You've prodded me long enough. If I could, another portion is under anticipated federal-provincial infrastructure. Do you think that's going to be a significant piece in the future? If you look at much of what is being said in the broader economy, e-commerce and the change in the way commerce takes place is the future, whether it's through banking or through financial services or through real acquisitions of products and services. Are we going to be prepared and are we working with the federal level of government as part of this?

Mr Lindsay: The government has put a significant focus on e-commerce, both the Ministry of Economic Development and Trade and the Ministry of Energy, Science and Technology, and new technology programs. So there is a great focus on e-commerce and the new economy industries in the government's program.

However, again, it doesn't automatically translate into dollars. When we think about infrastructure in the province of Ontario, almost half the infrastructure for our

economy is actually delivered by the private sector now; for example, natural gas pipelines, telephone and telecommunications linkages. There is a lot of infrastructure that isn't necessarily financed by taxpayers' dollars or government dollars but can be regulated and facilitated through government regulation and government efforts. Our efforts on e-commerce and on the new industries may be through helping to facilitate and helping with regulation, and it doesn't necessarily mean we have to invest a lot of taxpayer dollars. We have to stimulate a lot of private sector investment.

Mr O'Toole: With your permission, I do have another question. Is there time?

1530

The Chair: Go ahead, there's time.

Mr O'Toole: I also had a question on the fiscal and financial policy section, whoever handles that. I was really quite interested in the expenditure summary on page 5—quite interesting when I look at it—and in your change of \$1 billion plus. The first line item—I'm just reviewing them while you're getting your notes there—OPSEU pension, top-up of \$200 million: That's quite interesting. Hospital additional funding of \$196 million: I think Elizabeth Witmer has kind of announced a lot of that stuff recently.

There are two questions I have, to be specific. You might want to answer the OPSEU one: Is that a top-up or a payout or what in the pension? But the Canada-Ontario social housing agreement of \$196 million, is that real revenue or is that picking up liability in the long term? If we're getting into this housing and we're taking over the housing thing, they gave us \$196 million. Is that to pick up the repairs and maintenance of all this inventory and also the risk, the mortgages and liabilities? We're showing that as a revenue, or an expenditure, I gather, aren't we?

Mr Hewak: Yes.

Mr O'Toole: To me, it's a committed expenditure. So it's just a flow-through of revenue.

Mr Hewak: That's right.

Mr O'Toole: And that's for maintaining the inventory of housing, social housing, supportive housing?

Mr Hewak: With that particular adjustment, we're taking over the administration and we're taking over some of the management responsibilities for some of these federal programs. The federal government will be providing us with payments for the next 30 years or so for the existing commitment, and it's basically just to cover the existing costs associated.

Mr O'Toole: The mortgages.

Mr Hewak: That's right, although we did get a one-time \$58-million signing bonus.

Mr O'Toole: OK. That's to make sure the plumbing is working and whatever.

Mr Hewak: The government has actually committed that it would use \$30 million of it to provide for the capital needs of some of the housing stock.

Mr O'Toole: But we do pick up a liability. How does that show up in our accruals and our accounting? All that

stock isn't exactly at the number one level of where it should be.

Dr Purchase: If I could, Mr O'Toole, there is a period written into the agreement where we can go around and kick the tires, as it were, where we can examine the capital stock that we've acquired. During that period, adjustments can be made if we determine that these buildings are not in good repair or there has been a misrepresentation to us of what it is that we're taking over.

The Ministry of Housing is in fact going through that due diligence right now. So we're confident that we'll get capital stock which is in good working order and that the mortgages that we're taking over in fact are quality mortgages, if you like.

The Chair: Mrs Molinari, you've got three minutes.

Mrs Molinari: I'll try to make it quick. My question is with respect to the SuperBuild Growth Fund. The minister announced this morning the \$10 billion in SuperBuild over the five years and the \$10-billion investment from private sectors and, Mr Lindsay, you reiterated that in your presentation. That's an ambitious forecast, for private businesses to invest \$10 billion.

I know some of the areas. The partnership is working with respect to the post-secondary level. Can you tell us some of the areas that you would see as a feasibility for private investors to put in that kind of money? Obviously you've got some under development now; if you can talk about some of those that are presently in the forecast.

Mr Lindsay: Thank you for the question. There are a number of opportunities for private sector investment and involvement in our infrastructure, and it will be our challenge to try and lever the maximum amount we can. The 407 is the example that Bay Street is all abuzz with and is pointing to as a successful example of a public-private partnership. Included in that final agreement is a commitment on the part of the private sector purchaser to extend another 24 kilometres on the western side, and they're in the midst of an environmental assessment right now, but on the eastern side another 15 kilometres. So there's almost 40 kilometres of 100% paid-for, private sector construction of four-lane highway in the province of Ontario. That's the first time ever in Ontario that has happened. Finding new and creative ways to do that, whether it's through bridge works and international gateways, expanding highways following the 407 model is what we're exploring with the private sector now.

With respect to the colleges and universities sector, we challenged the colleges and universities to seek private sector funders and partners. I don't know if Minister Eves talked about some of the examples. I believe we've received 109 proposals from colleges and universities across the province. I don't know if I have the details of those numbers in front of me, but the percentage of private sector and partnering involvement in financing those has exceeded what we internally assumed would be the numbers.

I don't want to scoop the Minister of Colleges and Universities' announcement in the coming weeks, but we're quite pleased with the enthusiasm with which both

the universities and colleges and their private sector partners have come together to finance capital investments.

The numbers I have in front of me here: Out of the proposals, not all of which can be accepted, there was something like \$2.6 billion worth of capital projects submitted, and out of that about \$1.5 billion was requested for provincial money. So you can see the balance: It's a three-to-five ratio of government money versus the total project, which is significantly more than it has been in the past.

It's a new way of doing business, and so we're all on a learning curve. As a first effort, I think the colleges and universities can be quite proud of what they've done. We'll make that announcement shortly. But this is only the first year; it's our challenge to do more of that kind of stuff in all sectors of the economy.

The Chair: Government side, you have now exhausted your time. We'll go to Mr Phillips.

Mr Phillips: I wonder if I could have my answers now.

Dr Purchase: Mr Phillips, we're just photocopying it now, because the clerk would like copies of the material we're giving to you. My apology for it being delayed.

Mr Phillips: Let me just say how disappointed I am in that. I've never in all the years I've been here seen less information on the outlook than we got this year. There's not one single piece of outlook from the ministry officials. I had been told this morning that you were providing me with answers to my questions. That's why I assumed the minister was providing it.

We're going to spend a lot of taxpayers' money over the next several weeks travelling the province trying to provide advice on the pre-budget. You haven't given us one single number. The only number we got from you today was the 3.7% economic outlook, the average of the private sector forecasters. I'm very angry about that. If you want to have some respect for the legislative process, I had expected that the minister would have directed the staff to come forward with, "Here's what we think is going to happen to revenue." I just want to tell you that I am terribly worried about health care, education, community services. The government, I realize, wants to proceed with its tax cuts, but I want some indication of the revenue outlook.

We've heard from your officials on record that you do prepare, behind the doors, detailed workups on the revenues. You say, "OK, here's our forecast on the economy, here's what it will mean to retail sales tax, corporate tax, employer health tax, all of those things." I feel like we're being kept totally in the dark, and I don't know why that is. To add, dare I say, insult to injury, I've been told that there were answers to my questions. That's what I'm here for. I want to know what the outlook is, what you expect the revenue is going to be. You say you can't prepare multi-year forecasts. We've never not had at least a one-year forecast. Dare I say that the minister this morning said that the federal government's estimate of surpluses for the next five years is X.

I'm probably angry at the wrong person, but the minister isn't here. When he left this morning, he assured us that we would have these answers. So maybe I can just ask you the questions.

1540

In terms of the outlook next year—and after all, that's what we're all about. We're not looking at previous years; we're looking at the medium-term fiscal outlook. What is your outlook for the economy and what impact will that have on the revenues for us?

Dr Purchase: Let me deal with the outlook for the economy. Our current private sector forecast, our 3.7%—it is our policy and has been our policy I think for several years, certainly before I became the deputy minister—in fact, I believe it goes back to the Ontario Financial Review Commission's recommendations to the government, which they accepted in this regard—that we would have cautious economic forecasts so that we would always be slightly below the private sector consensus forecast. So you could take the current private sector consensus and imagine that we will be, in official forecasts, at or below it.

Mr Phillips: What does that mean for revenue?

Dr Purchase: Just let me finish. We anticipate, with respect to the economic forecast, that it will really continue to improve. If you just look at the people who forecast, let's say, in December or January, they have all been higher than when we have to average in people who were forecasting in November. So we anticipate that the forecast might even be better than the 3.7%.

With respect to revenues, again we pursue a very prudent revenue forecast. I have the documents, by the way.

Mr Phillips: Can you give us your prudent revenue forecast for the next couple of years?

Dr Purchase: No, I haven't been instructed to give you a revenue forecast for the next couple of years. As you know, in the budget we do forecast revenues for the current budget year and one year out.

Mr Phillips: What's your revenue forecast for next year?

Dr Purchase: I'm not at liberty to give you the revenue forecast for next year.

Mr Phillips: Why not? The legislative committee is here to provide the public with advice on next year's budget and we can't get out of the public service even the most fundamental number, your revenue forecast for next year.

Dr Purchase: Again, I'm not at liberty to give it to you. I can say that with respect to multi-year forecasts, the government has presented in the past its balanced budget plan and it will continue in the future, once the budget is balanced, to balance the budget. If it doesn't give you a multi-year forecast, it certainly gives you a multi-year target. The target of the government is absolutely clear: It's going to be a balanced budget for the next five years.

With respect to the debt reduction targets of the government, the government has already clearly indicated on

the record that there will be a \$2-billion reduction of debt.

Those are all medium-term targets that don't depend on forecasts; they depend on what the government intends to do.

Mr Phillips: You won't give us the numbers. Do you have the numbers, the revenue forecast for next year?

Dr Purchase: Obviously we are beginning our budget cycle and in that process we will be presenting revenue forecasts to the minister and the government. So for sure, we'll have them.

Mr Phillips: When we're trying to provide advice, do you think it's reasonable that we should have a revenue forecast from the government?

Dr Purchase: If I might, the question of whether it's reasonable or not is not for me to respond to.

Mr Phillips: I think you've now got my answers to the questions. Can I have them?

Dr Purchase: Yes.

Mr Phillips: I repeat, I've never seen less information divulged than we're getting right now, and I frankly find it unacceptable. We may have to resort, believe it or not, to a freedom of information request or something to get the most fundamental piece of evidence out of the government on what we're looking at for the next year. I think that's unacceptable. Will you at least undertake to go back to the minister—if I'd had any inkling you weren't providing this this morning I would have done it with the minister here, but I've been led to believe that you had prepared answers to my questions. You won't provide any revenue estimates for us?

Dr Purchase: No.

Mr Phillips: You won't even do what the government did before and confirm the old outlook for next year? There's no revenue outlook?

Gambling: Again, the minister said there would be full disclosure on gambling revenues. We still don't have the annual report of the Ontario Casino Corp. The Ontario Lottery Corp, surely, when you're talking hundreds of millions of dollars, has done an estimate. Can you give us the estimate of gambling revenues you would expect—not this year. We're looking at the next fiscal year.

Dr Purchase: No, sir. I'm not in a position to provide you with a forecast. What we've provided you with is what your question asked of us, which was to give you the breakdown for our 1999—

Mr Phillips: That is not what I asked for. I asked for projected revenue from gambling. That isn't what I asked for. I laid out a chart in my request. Anybody can look in the rear-view mirror; we're trying to look ahead.

Dr Purchase: There is a business planning process underway in which we're obviously looking at—you know, ministries are coming forward to present their plans to us with respect to the future.

Mr Phillips: You do not have, within the ministry, an estimate of gaming or gambling revenue for the next fiscal year?

Dr Purchase: We will have, at some point, estimates of everything.

Mr Phillips: I didn't say that. I said, you do not have from the Ontario Lottery Corp and the Casino Corp an estimate of their revenues for next year?

Dr Purchase: We may be in possession of an estimate, yes.

Mr Phillips: I hope you understand my frustration that—

Dr Purchase: I understand your frustration, sir, but—

Mr Phillips: I'd like to find out the answer on education spending. That, I assume, is public knowledge, or should be public knowledge: how much property tax you've raised to support education and what the grants will be on education for 1998 and 1999.

Dr Purchase: Is this your question number 7, Mr Phillips?

Mr Phillips: Actually, it says 6a, 6b.

Dr Purchase: For 6a, we've provided you with the updated table, I believe.

Mr Phillips: Can you just show me where that updated table is?

Dr Purchase: I'm looking at the same document you have. It should be on the facing page.

Mr Phillips: This says "restructuring and other charges" on my document.

Dr Purchase: "See attached table." We've had a technical glitch. My apology. Appendix A is not attached.

Mr Phillips: That's quite a surprise.

1550

The Chair: Can you make an undertaking to provide Mr Phillips with that sheet?

Dr Purchase: Yes, we will.

Mr Phillips: When you said that you will not provide us with the revenue estimates, is that because the minister has instructed you not to provide that to us?

Dr Purchase: Yes. It's not our intention to provide anything more than we've provided in the past.

Mr Phillips: Oh, no, this is a lot less than has been provided, but is it under instructions from the minister to not provide this?

Dr Purchase: Certainly the minister knows what our response to all these questions is.

Mr Phillips: Well, I'm sure he does if he ordered them. I'd like to know on whose instructions the committee is not getting this information.

Dr Purchase: We have not received any instruction to release forecasts to you.

Mr Phillips: Have you been told not to release them?

Dr Purchase: No, we haven't been told not to directly. I have not received a direct order not to give them, but the minister—

Mr Phillips: Are you making the decision to not release them?

Dr Purchase: The minister has reviewed all the responses to the questions and I have no orders to give you the revenue forecast.

Mr Phillips: But let me request the revenue forecast. Who's telling you not to give us that information?

Dr Purchase: Obviously this is the ministry's position.

Mr Phillips: I assume it's the minister's position. It is frankly unacceptable. I'm repeating myself. Next week we travel around the province. We are trying, on behalf of the public, to provide some direction for the budget. Believe me, it's like keeping the shareholders—that is, the public—completely in the dark. That's not acceptable, in my opinion, to use the language of this government, to the shareholders—the people, the public—that we don't have that information. I will accept that you're operating under directions to not provide that.

The issue of pensions is a smaller issue. I assume somewhere in this document you've answered why your cash payments on pensions are somewhere around \$800 million and on your books you show a "revenue" of a couple of hundred million dollars.

Mr Robert Siddall: I'm Robert Siddall with the Ministry of Finance. I'm the provincial controller.

Mr Phillips, in response to your question, again, the way we calculate the pension expense on the province's books is under the recommendations of the public sector accounting board that requires us not to account for the cash payments during the year that are made for funding purposes but to account for the costs that have actually been earned by pensioners during the year. That calculation is a combination of the actual increase in the liabilities during the year, plus the adjustments for gains on the value of the assets in the pension plans, plus any pension enhancements that have been made during the year, less the contributions from the employees to the plan. That's how we come up with the costs.

The plans have been earning returns on their assets that have offset the costs associated with the increase in the liabilities for pensions for those plan members in the last couple of years and that's the reason why the item is currently in a revenue position.

Mr Phillips: Fine. You've indicated here that in spite of the fact that you are theoretically decreasing the tax rates, property tax revenue to the province will remain stable. I gather the increase in assessment will offset any tax decreases. Is that what you're saying?

Dr Purchase: There's a combination of factors here. As you know, the current assessments are based on 1996 values. So increases in value since that date don't add revenue to the property tax, but new assessments, additions to the assessment base, if you like, do, and those are offset by the province's commitments to reduce the residential education rate and also the long-term business reduction. So on net, we think that probably there should not be a significant impact.

Mr Phillips: In theory you've announced a billion dollars in property tax cuts, but the revenues from property taxes are staying the same because of increasing assessment?

Dr Purchase: People are still paying less property tax than they would have otherwise paid. Those are actual benefits that each individual taxpayer receives, a billion dollars. The fact that there are new houses or new firms

coming along is the normal base of the tax gross, but it doesn't deny that the benefit was delivered to each individual taxpayer.

Mr Phillips: I'm just interested, from the little information, the little, wee, small nuggets that every once in a while you can pan out of this thing, in trying to piece together the puzzle. I'm grasping at whatever little straws and bones you've thrown us here. I was hoping I might see the education spending one, but it's not there.

Dr Purchase: I'm sorry.

Mr Phillips: Have you got it?

Dr Purchase: We've got it. As you can see, it was supposed to be attached as appendix A. It's being photocopied, I'm assured. All I can do is sit here and apologize.

Mr Phillips: Once a year we have an opportunity to have the minister in here, and I had been under the misunderstanding that we were going to get answers to my questions.

Dr Purchase: With due respect, sir, you have got answers to all of the—

Mr Phillips: My key questions are about what's some of the outlook. You haven't answered any of them, with due respect, as they say.

The Chair: You've got one more minute, Mr Phillips.

Mr Phillips: SuperBuild is now called a corporation. Has that been set up legislatively, and how will it work? Will I assume that it has no decision-making authority, that it merely provides advice to the minister and that each minister will still answer for their capital decisions?

Mr Lindsay: The Ontario SuperBuild Corp was established by an act—if someone can help me with the correct name of the act—similar to that which allows the government to establish corporations within various ministries of the government. For example, the Ontario Financing Authority is another corporate entity within the Ministry of Finance. The export development corporation is a corporation within the Ministry of Economic Development and Trade. The structure will be that there is a board of directors.

I think the minister suggested this morning that he will be announcing a board within the next week or 10 days of a cross-section of representatives from the private sector and around the province to give him advice. It's an advisory board. All of the capital decisions of the government of Ontario still have to be made by the cabinet committee on privatization and SuperBuild, which in turn reports to the full body of cabinet. So the advice they receive from the SuperBuild Corp, the staff and the board of advisers that the minister will be announcing will be to give advice to myself in building this organization or doing this work, and all of our duties and all of our functions must report through the cabinet committee of the government. So my direct accountability as an individual is to the Minister of Finance. The SuperBuild Corp is accountable to the Minister of Finance, who chairs the cabinet committee. The acronym is CCOPS, cabinet committee on privatization and SuperBuild, and they report to the full body of cabinet.

1600

The Chair: That completes this particular segment. I'd like to thank the ministry on behalf of the committee.

Dr Purchase: Mr Chair, if I could: Before we conclude our presentation, I'd just like to respond to a statement that Mr Phillips made, that he accepted that I'd been given a direction not to release any revenue projections. I should make it clear that I was not given a direction with respect to any information that I might release or might not release. I simply took what is our normal practice and presumed that that would continue to be our normal practice.

Mr Phillips: I don't believe that was normal practice.

Mr Howell: Mr Chair, one final point for the record with regard to Mr Christopherson's question: Full-time employment is 30 hours or more a week.

The Chair: Thirty hours instead of 20? I think you mentioned 20, was it, or 25?

Mr Christopherson: Twenty—

The Chair: So it's 30 hours.

Mr Christopherson: The reason I wanted that on the record is that the staff were good enough to provide me with the accurate hours per week, but I did ask if there was a minimum duration in terms of the number of weeks. They're still seeking that information and they've assured me they'll get it to me as soon as they've got it.

On a point of order: Based on the issues that Mr Phillips has raised in terms of the information that the deputy has chosen not to provide to the committee, obviously, by his own statement, of his own volition, could we ask research staff to just review back over the practice as it has been over the last decade, which would cover all three political parties, as to whether or not it has been the practice that projections were provided at the time of pre-budget consultation hearings, please?

The Chair: From that particular aspect of the comment made by the deputy minister?

Mr Christopherson: The whole issue of what normally is provided by way of projections versus what was provided here today, which was none. Perhaps the researcher could go back and take a look at what has transpired, quickly, over the last 10 years that covers all three parties, and if indeed the current deputy is correct, then so be it. But I agree with Mr Phillips. My recollection is that there are other years where there has not only been one year but sometimes many multi-years.

The Chair: I don't know whether it's a point of order, but I think it's a reasonable request.

Mr Christopherson: Thank you, Chair.

The Chair: When would you expect that? A couple of days?

Mr Christopherson: I guess as soon as we can. It's obviously important. Here's the case. It's pretty straightforward. If it turns out that this year is an exception, we've got a major issue that we've got to come to grips with before we go any further. So I would think the earlier we can receive that information, the better, recognizing that I don't expect you to stay up all night and do this.

ONTARIO ROAD BUILDERS' ASSOCIATION

The Chair: Do we have representatives of the Ontario Road Builders' Association in the audience?

Mr Robert Bradford: Just one.

The Chair: On behalf of the committee, welcome. Could you please state your name and your position for the record?

Mr Bradford: My name is Robert Bradford. I'm the executive director of the Ontario Road Builders' Association. I believe that you all got copies of the presentation I'm going to make today.

Good afternoon, Mr Chairman and members of the standing committee. Our association certainly appreciates the opportunity once again to speak with you today about the Ontario economy and the importance of our provincial roads and bridges to it.

Our association represents about 100 contractors. They build and maintain by far the majority of the provincial highways system as well as our municipal roads system.

I'd like to touch briefly today on four subjects: capital spending for the provincial highway system; the emerging role of the private sector in highway financing; the need for a longer-term approach to capital planning; and highway maintenance outsourcing.

In the past two fiscal years the province has shown a renewed commitment to the provincial highway system with admittedly record high capital programs. This has become necessary because for more than two decades of underfunding we've left a once-envied highway system in a state of rapid deterioration.

In 1995, as you know, the Provincial Auditor said 60% of our highway system was in unacceptable condition. Given the effort in the past couple of years, we believe there's been a slight improvement to that percentage of the system that was in unacceptable condition, but still I would say over 50% of the system is still in a state of disrepair, for lack of a better word. We're only catching up a little bit faster now. We're chipping away a little more quickly at the infrastructure deficit we've been building since the mid-1970s.

According to the government's recent Ontario Economic Outlook and Fiscal Review, we find that 52% of Ontario's GDP comes through export. That's up from 29.4% in 1989. We can see very clearly where our economy is going. Over three quarters of those exports go south to the United States and 95% of them depend on road transportation for at least part of the trip.

If Ontario is to continue to grow economically and Ontario businesses are to continue to be competitive in export markets, a vastly improved highway system is a prerequisite. We have our NAFTA partners in the United States and Mexico building highways to borders in both directions, and quite frankly we're not doing it.

Business will look elsewhere if Ontario cannot provide the means to get the materials to their factories and assembly plants or to get their products to their custom-

ers. Our economic success depends on moving auto parts and other goods south of the border and our highways are fundamental to our continued growth.

The provincial government's current capital program is attempting to get at the backlog of highway capital maintenance. There is virtually no system expansion underway or contemplated in the near future. Major urban centres in Ontario are already suffering huge economic costs due to congestion. We have in past years brought this committee statistics, lots of them, and we'd certainly be glad to provide those again and again, as many times as you want to see them. But I felt today that perhaps we'd talk to you a little bit more from a policy standpoint than a statistical standpoint. I think you've seen those statistics and I think we've all come to accept them to a large degree.

The word "crisis" has been overworked in recent years—we've got a health care crisis, we've got an education crisis, we've got a crisis in everything—and I'm not going to use it today. But I'm here quite frankly to warn you that within the next decade we're going to have to be using that word if we don't increase the capacity of our highway system.

As you know, the QEW and the 401 in the GTA are now congested more than 12 hours a day. Even the new 407, where people are paying for a ride, is now bumper to bumper in the morning and the evening rush hours. If you listen to the news reports they're suggesting you take Highway 7 instead of the 407 because it's a better ride. It just indicates where we've come with this undercapacity situation.

We've discussed all the other impacts with this committee in the past and I'll just touch briefly on some of the key areas. We've discussed the impact on the \$3.5 billion spent annually by American visitors to Ontario, 24 million of them who come here by car every year. We've shown the effects of congestion on productivity and spoken of the billions of dollars lost annually to inefficient movement of goods. I believe there was a 1986 goods movement study from the GTA that showed the cost was \$3 billion, and we've got to believe that's at least doubled by now. We've presented statistics to show significantly higher user costs when road conditions deteriorate, and we've shown the direct links between public safety and highway construction and design.

As I said earlier, we believe this government recognizes the vital linkages between the highway system and our competitiveness. We've had a chance to talk to members from all three parties and I do believe that that basic concept is generally accepted by all three parties. However, to be able to address these competing needs—I'm sorry. I skipped a beat there. We understand that the issue is one of funding priorities and competing needs. I guess that's an important point and I didn't want to miss that, because we do understand that there is a desire and an understanding of the need. Obviously, what it comes down to is an issue of who pays and how we fund our highways in the future.

1610

I would remind the government that in attempting to address all the other needs on the table—and they're all worthwhile needs—we've got to recognize that the provincial highway system is essential to providing the wherewithal to address some of those other needs over the long term. If we fall back economically and competitively, I don't believe we stand a chance of addressing some of those other concerns over the long haul, except through the old practice of throwing money we don't have at them. I don't believe we're doing that any more.

There's also a fundamental change occurring in our society. It's a rethinking of how we will fund our infrastructure needs in the future. Much of this evolution is focusing on the role of the private sector, looking to the private sector to take on roles that have traditionally been served by government. In terms of building and maintaining our highways and bridges of the future, there certainly is a significant role that can be played by the private sector. Highway 407 stands as proof positive that the private sector can and will build highways if there's a reasonable return on investment. Our association recognizes this role to be played by the private sector, and we are currently involved in broad-ranging consultations to try to identify some of the opportunities that exist for private sector leadership as envisioned by the new SuperBuild fund. I heard earlier it's now the SuperBuild Corp.

We believe the private sector can play an important role in getting projects underway which wouldn't be possible in the foreseeable future if they had to rely completely on government funding. I heard a kind of throwaway line about a week ago and it kind of scared me, but somebody suggested that the government will never, ever again build a major highway in this province. I hope that's not true.

One caution in this whole scenario of private sector involvement. It requires that there be an opportunity for return on investment. In the roadbuilding sector, this return on investment will come primarily from direct tolling or some variation of it, and that limits the involvement of the private sector to large-scale highways with significant traffic volumes. It's also limited by the acceptance of the public for the whole concept of user-pay roads.

Aside from tolling, there are other potential revenue sources, and we have to exploit these as fully as possible. There are things like commercial opportunity on rights of way, concessions to third-party developers, advertising rights. We're trying to come up with as many innovative new ideas as we can. While I believe a lot of these innovative financing concepts will become standard practice in the future, I don't believe that funding our roads infrastructure is an area that government can expect to be relieved of entirely in the future. However, involving the private sector in appropriate projects will free up public dollars that can be directed toward those roads that cannot generate a revenue stream but nonetheless must be built and maintained.

The third subject we'd like to bring to the standing committee today is the need for longer-term capital planning by the government. That's a drum we've been beating on for several years now. We see, finally, some potential for moving in this direction under the Super-Build fund. Currently, capital budgets for provincial highways are established annually, and until the budget comes down in April and May there's little indication to the roadbuilding industry what type of funding commitment can be expected. Therefore, our industry, quite frankly, cannot apply proper business planning tools, and you've got to believe this extracts a price in terms of productivity and efficiency. Remember, it's the taxpayers paying for the roads.

It's one of the few industries in Ontario that must recreate itself every year, not able to properly plan investment and plant equipment and human resources. A multi-year capital plan that establishes a reasonable annual funding baseline would deliver significant cost savings and quality improvements to taxpayers.

Last October, our association surveyed the entire industry about the benefits to be derived from the ability to apply longer-term business planning tools. You have that report attached to my presentation today, and it indicates quite clearly that there are areas where major gains in productivity and reduction in costs would result from a multi-year planning approach.

Given an annual baseline funding level that could be projected out over several years, the Ministry of Transportation would be in a position to better plan its flow of work. We're not talking about new or more money here. For instance, the government was spending some \$640 million-odd, I believe, last year in actual capital in the road construction. Let's take the bull by the horns and say, "OK, we're going to be spending \$500 million a year at least," and let's do some long-term planning with that. Then year to year the government can do whatever it needs to with the budget, with incremental increases at budget time and announcements like that, but it would have taken a good solid chunk and given the industry some tools with which to plan.

What this would do is allow your Ministry of Transportation to be calling tenders earlier in the year, in December, January and February. Right now our work comes out in June or July of the year and leaves, in this climate, three or four months to complete the work. We have an industry that can work nine months of the year and sometimes right around 12 months of the year if the weather's correct. But right now we're working for the provincial government for six months of the year, and that's got to extract a toll in terms of efficiencies and productivity; in fact, it does and we can clearly show that it does.

Given the ability to plan better, road builders wouldn't have to be paying in November when the weather is too cold to do it properly. We wouldn't have to lay off skilled professional employees for several months every year and hope they're there when we need them again, and quite often they aren't. We could better plan our

equipment requirements and reduce costs significantly. We could more efficiently manage production of materials such as aggregates. We could feel more confident in investing in training and education for a permanent workforce. Investments would be made in quality systems and technologies if it were known that these investments could be justified over the longer term.

Just as it's trying to bring more certainty to hospital funding, this government should also bring more certainty to core infrastructure funding. Jobs and the economy depend on it, and I believe we now have the structure with the new SuperBuild fund to get into some of this longer-term planning.

The final subject I'd like to just touch on today also speaks to the private sector's role in building and maintaining our provincial highway system. A few years ago this government made the decision to outsource non-capital highway maintenance programs. This involves everything: keeping the roads clear of snow, applying the salt, replacing guardrails, picking up litter, the whole ball of wax. It's a move our association supported completely and still does support completely, for obvious reasons, and it's an initiative that we believe is delivering both cost savings and quality benefits to taxpayers.

I guess the reason I bring this up today is there have been some criticisms of late of the outsourcing program, open letters from various members of provincial Parliament and statements from various leaders of public service unions, casting aspersions on the program, suggesting it's not saving the government money, suggesting that standards of work are lower than in the past. We're here today to assure the standing committee that the initiative is achieving government targets.

In terms of cost savings, I don't pretend to have access to numbers that can bear it out, but I do know for a fact that contracts are not awarded unless they come in 5% under the government's own determined costs. Contracts have been called in the last two years and not awarded because the contractors' bids were not close enough, and they are retendered until the bids come in at least 5% below the government's own cost figures. That alone has got to tell you that the government has determined what their costs are and it is not going to let this work be done for more money than it used to pay.

In terms of quality standards, standards of maintenance are specified and strictly monitored. Contractors that don't meet them meet very stiff financial penalties, and in some cases contractors are delivering to higher standards than was the case when the Ministry of Transportation was performing the work. That's not a throw-away statement. All you've got to do is take a set of specifications from five years ago and take a set of specifications the contractors are working to and you will see that performance standards have been maintained, and increased in some cases.

1620

To summarize today, we're here as we have been in the past to remind the government of the vital linkages between our roads and highways and our province's

economic prosperity. We're here to seek a commitment to a level of public funding that will ensure that our provincial highway system is renewed to an acceptable condition and capacity.

We also recognize that the world is changing rapidly; we can no longer come here year after year and just say, "Throw us another \$100 million." The private sector has a role to play. We're going to do our best as an association to ensure that they live up to their responsibility. As I said earlier, we believe the new SuperBuild fund offers the opportunity to bring the private sector to the table and to move forward some of those good ideas that have been surfacing for some years now.

We've heard in the news lately about an animal called the mid-Peninsula expressway, and I don't think, myself included, we'd even heard about that up to six months ago. That's becoming very quickly a very good potential for this 407 type of activity we have. It's a road that's needed; it's a road that probably can be supported by traffic volumes. Those are the kinds of things that over the next few months we'll be bringing to you with some ideas about how to get them moving forward.

Finally, just to reinforce what I said, we hope that this government will take finally the opportunity to begin some multi-year capital planning. It's a good, business-like approach to infrastructure investment. Other jurisdictions are moving that way very quickly. Michigan, for instance, now has a book like this that lays out what roads and what bridges are going to be fixed and looked at that over the next five years. A contractor could say: "Three and a half years from now they're going to be fixing the F. Lee Bailey bridge. We'd better go buy another backhoe because we want to be competitive when we bid that job."

I guess that's about it. I left myself without a really nice punchy closing.

The Chair: Thank you very much for your presentation. We have about two and a half minutes for each caucus, and I'll start with the government side.

Mr. Arnott: Thank you, Mr. Bradford, for your presentation. I think you've done a very good job of outlining the concern of your organization and also the continued need for road improvements in Ontario. I can't speak for the other committee members, but I don't need a reminder of the deterioration of Ontario's road system, because I see it every day. It's neglect over quite a number of years that brought us to this point and we need to establish, as you say, a long-term commitment to improving the road system in the province. You quite rightly pointed out that the SuperBuild Growth Fund hopefully will be a good step in that direction.

You mentioned toll roads and you also mentioned a few other opportunities that you think might be there for revenue generation. You talked about commercial opportunities on rights of way, concessions to third-party developers, advertising rights and others. I just wondered if you could perhaps expand somewhat upon those statements to tell us a little bit more about what you mean.

Mr. Bradford: For instance, in Vancouver recently—and this is how you move the thing down to a smaller scale—there was a \$16-million interchange built that the city could not afford to build. What they did was give a developer some rights to develop beyond the zoning on one of the corners of the interchange. The developer paid the road builder to build the interchange and the government got it for nothing. They did have to give up some zoning rights on that interchange.

Concessions on commercial opportunities on rights of way: These are everything from giving the private sector consortium the rights to let McDonald's put a restaurant up, restrooms. If you've travelled the United States through Florida in the last little while you'll see on their tollways they have quite impressive stops. They're not just a little thing where you get a greasy hamburger and use a dirty washroom; they're places where a lot of people plan on stopping. So those kinds of opportunities.

Advertising: That's not one of the ones I'm too big on, because I don't believe we can litter the highways with signage and keep them safe. But there may be some limited opportunities along those lines. I don't know how much further you'd like me to expand, but we're struggling with developing these ideas, just like everybody else is.

Mr. Duncan: In terms of the 407 and toll roads and determining a future stream of revenues, do you think the agreements that have been reached are fair to consumers, the people who use the roads, and how do you go about making those long-term determinations about streams of revenues and obviously return on investment to a contractor or a consortium that's building one of these roads?

Mr. Bradford: How does who go about determining them?

Mr. Duncan: The government.

Mr. Bradford: The private sector will make those determinations.

Mr. Duncan: Yes, but the government will enter into the agreement. One of the concerns we have in the case of the 407, for instance, is that the stream of revenues and the increases in revenues far exceed anything that was ever talked about down the road in the long-term projection. If the private sector makes those determinations—I wouldn't agree that the private sector should make them. Obviously, your members are looking for a return on investment. One of the roles of government is to protect the consumer interest as well. How do you make those projections? Do you think the agreement that has been reached on the 407 is a fair model?

Mr. Bradford: I don't think it's appropriate for me to comment on any deal the government makes. That's the government's business. I'm not trying to be evasive.

Mr. Duncan: So the toll increases that are projected, you want to see a toll system in place and you want the private sector—

Mr. Bradford: Our association believes that in the future—

Mr. Duncan: May I just finish my question?

Mr. Bradford: I'm sorry. Go ahead. I apologize.

Mr Duncan: You said the toll returns should be set by the private sector, but then you said you didn't want to comment on them. I don't understand the difference in your answer.

Mr Bradford: I think you're asking me to comment on whether or not the government made a good deal. It's not in my purview to comment on that, sir. That's the government's business.

Mr Duncan: Several of your members have approached us and talked about—I'm referring now to the highway maintenance contract, particularly the one that was let in the southwestern Ontario region. The first concern that some of your members raised with us was that subsequent to signing the deal, the government downloaded, out of 1,200 kilometres of road, about 400 kilometres to the municipalities, and that was outside of the original deal.

The second concern we had from various road builders, and I'm not certain that they were members of your association, was that the way the process was set up in terms of the maintenance contracts, it effectively produced a scenario where only one or potentially two consortia could bid on large-scale maintenance projects of that nature.

Is it your view that in future or potential future maintenance contracts like that, more can be done to accommodate small pavers, small road builders, who used to get smaller contracts, say under \$250,000, for things like filling in potholes? The concern expressed to us by road builders has been that in fact that process excludes or potentially excludes small business, given the way the deal was constructed.

Mr Bradford: Thus far, and this is certainly an evolution, every time one of these area maintenance contracts has been called, we've learned some things and we've done it a little differently next time. Our association certainly has expressed our concerns about specific issues that have arisen—some of them you've mentioned—during the calling of these contracts. That's our job, to ensure that as the process evolves, these things get fixed the next time around. Generally speaking, we're quite pleased with how the program has rolled out.

On the issue of smaller companies, I guess there's a two-part answer to that. Certainly we're doing our best to ensure that those smaller companies still have a role to play through subcontracting. But the other thing that has to be said about that—and I talked earlier about us recognizing that the world is changing—is that everything that's happening out there is leading to a consolidation in our industry. It's not something we can stop. We owe it to our smaller member companies to work just as hard for them as for the larger member companies, but we can't stop what is happening out there. A lot of it is a function of the way the Ministry of Transportation is now packaging their contracts. They see efficiencies and better productivity that way. We can't be against something that is more efficient, so we have to find ways to—there are other market niches for smaller companies. They are moving into them. It's all part of the evolution

are moving into them. It's all part of the evolution that's going on in our industry.

Mr Christopherson: Thank you, Mr Bradford, for your presentation. There's not a lot of time to cover some really important issues. I did want to just touch on the issue that you talked about, the congestion that exists on the 401, the QEW, 12 hours a day, and the fact that the 407 is packed. As someone who lives in Hamilton and does the commute to Toronto on the QEW, you're bang on. In fact, you're probably a little bit shy of how often. Certainly it has changed over the years. I've been making that trip for close to a decade now, and I've really noticed the increase, and the safety factor that you've raised of course is a major concern.

That would lead to the recommendation you make that there has to be a recognition that there needs to be an expansion of the existing system if we are going to deal with what we now have and what we foresee over the next few decades.

1630

Trucking is an important part of business and of the economy. You have some competition from rail, although not a lot. There is still a lot that has to be done by truck and can only be done by truck, particularly when you get into cities, and just-in-time delivery means in many cases that by truck is the only way.

What I want to ask you, though, is: Recognizing that private vehicles contribute an enormous amount of pollutants and cause a lot of the smog problems, is it the position of your association that when we talk about transportation and the ability to deal with pressures on the system, part of government's responsibility is to ensure there is an adequate, efficient, accessible public transit system to divert some of those autos? If we can't with the trucks, at least with the autos we ought to see as part of the expenditure on roads and transportation an element for the environment, for safety and because we just can't keep building roads forever. In 50 and 100 years from now, at the pace we are going, we'll have nothing but highways. What are your thoughts on that and your association's position?

Mr Bradford: It will probably sound a little strange coming from a road builder, but yes, we certainly see the solutions to the future as being intermodal solutions. Certainly rail has a much stronger role to play, and public transit is a large part of the solution in the future. I guess what we are saying today, on February 1, 2000, is that our society has not laid the groundwork for that kind of development and it has to start thinking that way right now. But we can't afford to spend 20 years waiting for that to develop with no way to move trucks on the road. But yes, certainly, long-term, public transit and intermodal ground transportation are all parts of the answer.

Mr Christopherson: I had a hunch that that might indeed be your answer. I think a reasonable person would recognize that if you're going to do long-term planning, you can't plan in 50 years to have built asphalt roads for all the vehicles that are going to exist. At some point we

need to make an investment, and that will be a political debating point of course.

I just mention to you that where you can say that, number one, it would help the cause in terms of advocating the fact that there needs to be public transportation and, for what it's worth, I think it would add to your own credibility, that you're not just interested in the creation of work for your member companies but that part of the answer, when you stand back as an association and talk about transportation, has to be a significant public transit component, which we don't see from this government; everything is cars and roads. I appreciate that you are prepared and comfortable enough to put forward the argument that public transit needs to be an important part of our transportation thinking.

The Chair: That completes the time on this segment. On behalf of the committee, thank you very much, Mr Bradford.

CANADIAN CHEMICAL PRODUCERS' ASSOCIATION

The Chair: Next we have the Canadian Chemical Producers' Association. Gentlemen, you have 30 minutes for your presentation. Would you please identify yourselves.

Mr Richard Paton: Mr. Chairman, we'll speak for 15 to 20 minutes, and hopefully we'll have ample time for questions.

I am Richard Paton, president of the Canadian Chemical Producers' Association. Norm Huebel is the regional director of our association, and Mike Hyde is with Dow Canada.

Most of you may have heard from us before. We are an association that represents 70 members who produce as our main products chemicals that make up cars and are part of the pulp and paper process and the textile process. We call our industry a kind of keystone industry, and part of our package is a document that describes the links between our industry and most major industrial sectors of the Ontario and Canadian economy.

Our theme today is that the chemical industry is vital to any modern industrial economy. Since Ontario is the largest and most important economic unit in Canada and is also a key part of the North American economy, a vibrant and thriving chemical sector is a key element of leading in the North American economy. I know the Ontario government has been talking about that and positioning itself that way.

As an industry that's very important to this province and all the other industries, investment is critical. The thing I want to address with you today is that notwithstanding the fact that our industry is 30% more productive than the US industry—so there's an interesting point vis-à-vis productivity—the investment levels in our industry in Canada, particularly in Ontario, are not where they should be. This is partly because our industry is a very global industry. It's probably one of the most global industries in the world. It's heavily into the com-

modity type product business, and to win those investments on the international stage you have to have pretty well everything going in your favour to beat out the Houstons and the Gulf Coast states or the European locations or the Far East locations or whatever.

So we have a number—and I'll point in a minute to the scorecard that we have—of huge advantages in Ontario and in Canada, but there are some areas where maybe all the cylinders are not firing at the same time or in the same place, and where if we could make some improvements we would significantly add investment to the province: jobs, very high-paying jobs, about \$50,000 per job, a lot of investment, a lot of spinoffs, and put Ontario in a better position economically. Certainly, the government's program is to have growth. Growth produces tax revenue and tax revenue balances that budget, and we're part of that. It's all a kind of virtual cycle if you can get it all working together.

I'd like to point just for a moment to this scorecard which we have included in this package. Every year that we appear in front of you, we mention this scorecard, and many times we get very positive comments about it. It's our way in our association of rating where we are on a number of factors that affect the competitiveness of our industry. You'll notice that we basically list all the factors on the left-hand column on the two pages in a plus, meaning it's an advantage for us in Ontario, or it's neutral or it's a negative. We do these for about four provinces and the country as a whole. We update them every year right after the Ontario budget, so it's always up to date and very topical.

Norm Huebel was just mentioning as we were preparing for this that if you look on that left-hand page in the column with the negatives, we have no negatives on the Ontario policy front right now that we would say are significant areas to discourage investment, which is kind of interesting. It's also the first time that that's happened.

You have some on the other side of the page such as manufacturing base, energy pricing, petrochemical feedstocks. Plant construction costs, which I'll address in a minute, was one issue we raised last year and some progress has been made on that. That was related to various labour agreements. Overall, Ontario is considered to be a very good place to invest; however, it could be better. I'm going to address the five areas where I think we could make improvements. Given that a budget usually is a fiscal and economic statement combined, some of these areas link up to the overall government policy that affects the budget and the economy.

The first area is one that's dear to many hearts, certainly always controversial, and that's tax relief, tax reform. You all know that Ontario's balanced budget plan is on track to eliminate the deficit this year. We believe the government should maintain its fiscal resolve to carry on that course of action. The positive fiscal performance is complemented by the federal government's monetary policy, which is delivering competitive interest rates and inflation within the 1% to 3% target. No doubt there will be many pressures to spending, as you have

probably observed at the federal level; certainly industry has observed it. The apron strings seem to have been released a little bit and the money is starting to flow, and that's somewhat of a concern to some people who were worried about the deficit and the debt and certainly tax reform.

1640

We'd like to compliment the Ontario government on its tenacity in reducing taxes, personal taxes in particular. At the federal level, in similar fora, we have presented to the finance committee and we've strongly argued for significant reductions in personal tax. I should say that's the very first time that CCPA has ever gone to a federal prebudget hearing and talked about personal tax. Personal tax is now becoming a serious impediment to investment and attracting personnel. It's becoming an important part of the problem of attracting personnel to the country and retaining those personnel. Canada has always had a significant advantage in its human resource talent and we're worried that that is being eroded and will become a more and more difficult problem in terms of dealing with investment, particularly because our industry, like most industries, exports most of our product to the United States. In fact, we are competing with the US not only in price and in product and in market, but we're competing with them for people. People tend to look at those paycheques and how much tax they pay and the stock options plans and all those other things, and those things start to affect decisions.

Last year's budget announced the intention of the government to put in place a business tax review panel to examine the current Ontario personal, corporate and property tax systems for their impact on the capacity of business, both small and large, to create jobs. We urge this government to get on with that process. Modest tax improvements sufficient to open up a competitive advantage for the capital-intensive chemical industry vis-à-vis states competing for investments could help attract new investment, including the investment needed to commercialize new chemical technologies and the processes developed through innovation in Ontario and elsewhere.

So tax is definitely one issue where we think the government has made progress, but continue to make progress. Certainly if the federal government starts to make some improvements—hopefully, we're going in that direction—then the combined effects of personal and corporate tax reform would produce some advantages vis-à-vis investment in the country.

The second area I wanted to talk about is regulatory reform and cost recovery. I guess it also includes red tape. This government has significantly reduced its size and also reduced the number of administrative agencies. It has stated its intention to further streamline and reconstitute the Red Tape Commission. That's a visible example of working on regulatory reform.

In the development and application of, for example, environmental regulations, Ontario has an advantage over the much more legalistic, adversarial and formal

approach common in the United States. Any of you who have been down to the United States or dealt with their legal system quickly find out that the name of the game is litigation, and litigation produces horrendous costs for business and for government and for everyone else.

We in CCPA have pioneered a program called responsible care, which is our response to the need to work with communities to protect the environment, to improve continuously our performance. On that basis, we have agreed with the province to pilot various voluntary initiatives. However, I guess our experience has been somewhat frustrating on some of those initiatives because it's been very difficult to get those moving or into effect. So we would encourage the government to think about new ways to achieve performance in environment without necessarily using always the regulatory framework.

Another area where we are concerned, linked closely to regulation, is cost recovery. There is a tendency, and we've seen this at the federal level for sure, when budgets go down and resources are tight, to just shift right over to: "Well, we'll just raise the money some other way. We'll just add a fee or a charge here or a charge there." It's kind of another way of taxation, to some extent, without very much accountability, without much due process, without much consideration of the impact that cost recovery in fact has on business.

At the federal level we've actually done a study of this. There are 20 associations involved in trying to change the cost recovery policy at the federal level, and we've found out that the negative impact of cost recovery can be absolutely huge on jobs, because it basically takes money out of business and discourages products from being developed, from being put on the market, investments being made. In fact, in our view, and I can share that study with anyone who would like it, we've actually lost a substantial number of jobs in this country because of cost recovery, and in most cases cost recovery does not actually produce substantial revenue for any government.

Cost recovery is an area that needs a lot of attention. We've met with the Management Board. I think both Norm and Mike have met with the Management Board and have talked about the need for principles, for criteria, a process to deal with cost recovery. We've encouraged groups such as yours to mention this in your budget reports as an area that government should be very careful about moving into it. Basically our message is that cost recovery is costing Canadians jobs, is costing Ontarians jobs, but it's of very little financial benefit for the government.

We're not against paying for services or benefits that government provides that are sort of private and that are of particular benefit to business. That's not our position. Our position is that cost recovery can be useful for everyone concerned, but most times there are very few examples where cost recovery is managed well and where the net effect is actually positive for anyone.

I would like to turn to my third issue, which is climate change. Now for something completely different.

Environmental policy issues are a challenge for all industry and certainly for government. I'm involved in the industry table of the climate change process that's a national process. Climate change has some major challenges for this country and for our industry and can have some very serious negative effects if not managed carefully. I'll share with you a few numbers that might startle you in terms of climate change and its impact on the economy.

Because of our commitment to responsible care and our ethic of responsible care, we've been working continuously to reduce our emissions, and that includes greenhouse gases such as CO₂, nitrous oxide, methane and other gases. We've done all our analysis and all our studies of climate change, and the CCPA companies that we represent will meet and exceed the Kyoto targets. So I'm not speaking here today as an industry that's worried about the climate change numbers because we can't meet them. We're going to meet the climate change numbers in Kyoto regardless, so that's not really the problem.

The problem is that if you take a look at the overall nature of our emissions in the country and some of the solutions that are potentially out there to deal with emissions reduction, you realize that there is something like a 200-megaton gap between the emissions that we're likely to have and what we need to reduce to, which results in about a 4% energy efficiency gain per year that we will need to have to meet the climate change numbers as a total society, meaning industry, the consumer, the guy who drives his car, the person who heats their house, the office building that runs or whatever. We have never as a country exceeded something like 2% in energy efficiency gain, and we only did that in the middle of the energy crisis in the mid-1970s. So we have to somehow double or even more than double our energy efficiency, because our average is somewhere in the 1% to 1.5% range.

People have come up with various ideas to do that, and one of the ideas of course is a carbon tax. People argue that a carbon tax is a good idea because it's one of the few really strong instruments you could use that would have a dramatic impact on energy. Just to give you an idea, we've modelled this. We have various models. We've taken a look at what a carbon tax would do to our industry. You'll see on page 12 of my brief here three little options about what a carbon tax would do. This carbon tax at \$200 a tonne would reduce our competitiveness by five to seven points in terms of investment. In other words, just be very neutral here and say: "Look, we're going to put on a carbon tax, and that's going to drive people to reduce their carbon emissions. Fine. But because we're going to lose all our industry in the country, what we're going to do is offset those costs by providing some tax breaks to those industries." And we can come up with kind of a rational approach.

1650

To offset the \$200-a-tonne carbon tax impact, you would have to eliminate all federal and provincial corporate income taxes in our industry. That's the impact of it. With a \$100 carbon tax, you've got to do a 50% reduc-

tion; at \$50 a tonne, you're down to huge reductions in tax.

One has to look at this. The climate change issue has a huge potential impact on the economy, which will reduce growth and investment and result in some major issues for revenues of government if one proceeds with something like a carbon tax. Now, of course, the federal government said they're not going to proceed with a carbon tax, but if you take a hard look at Kyoto and you ask the question, "How the heck are we ever going to get there?" people are definitely going to be coming up with some issues and options like a carbon tax to be able to deal with it.

The fourth issue is construction labour costs. The government has made a considerable effort to address this issue. This was our number one issue last year. We had a significantly higher labour cost regime for constructing plants than any other comparable jurisdiction, and that higher labour cost regime knocked out investments in areas like Sarnia and other parts of the province.

As a result of Bill 31 and the project agreements we have with the unions now, I think we are in a position where we can start to address that issue. I guess our urge is to stay the course on that as a government. Probably a lot of time is needed to go through working through these project agreements, working with the unions, building up a track record, being able to convince our corporate headquarters in various places that this is real and that it does result in real savings and with those savings we're all going to be better off. Unions are going to have more jobs. There will be more overtime. Plants will be built. Investment will come to the province as jobs will be created. We think this is a win-win for everyone concerned, and we compliment the government on having introduced Bill 31 and having had the tenacity to see it through.

The last issue is electricity. Our sector is keenly interested in electricity deregulation. Just to give you a little bit of an idea, of course electricity costs vary enormously among industries or plants or companies, but some of our companies' electricity costs are 50% to 65% of their total operational costs. For many of those companies, their product is 80% exported to the US. You can imagine what a 10% increase in electricity costs would do to such a company. It wouldn't take very long for the company to say: "Well, why don't I just shift my operations to the US, take a little less cost in electricity, a little less transportation cost? The market is down there anyway, so I might as well do that."

Electricity is an extremely sensitive issue for us. There has been a lot of progress on electricity deregulation, but we're still not at a point where you could say that we have a regime in place. We need to get the regulations right. We need to manage the smooth transition to full competition and ensure a competitive rate structure during that transition phase, and all of that will have a significant impact on our international competitiveness. I think government has to carefully look at those impacts

on industry in Ontario as we move forward in this particular area.

Let me just leave it there. To conclude, there are five areas where we think Ontario can significantly improve its competitive advantage and turn it into the Ontario advantage and attract even more investment into this province and therefore create an even more vibrant and growing economy with the growth of the chemical industry.

The Chair: Thank you very much. We have about two minutes for each caucus. I'll start with the official opposition. Mr Phillips.

Mr Phillips: Just a comment. I do like your report card. I read the report card, but your comments on the capital investment were more encouraging than the report card would indicate. So I'm going to assume that, in your judgment, Ontario is moving to eliminate your major concern on capital investment. Is that a fair statement?

Mr Norm Huebel: Gerry, the report card was actually done after the budget last year, and of course there have been changes since then. But the report card will be updated after the current budget is tabled. So you're right. It's a moving target and it is improving.

Mr Phillips: When I look at the Ontario, Canada, The Future is Right Here document, they talk a lot about, "Ontario displays significant competitive labour cost advantages ranging from \$4.70 to \$13.65 an hour lower than competing jurisdictions." And when you add in the substantially lower health care costs in Canada, it becomes even more dramatic.

My question is this: On one hand, there's an enormous push on to reduce taxes, and that has a lot of apparent public support. On the other hand, there's no magic that our health care is funded out of taxes and if we were to harmonize completely with the US, presumably we no longer could afford our level of health care, which has been quoted as a major competitive advantage for companies locating in Ontario.

Unless we understand this clearly, we run the risk of following the advice of organizations that say, "Cut income tax," only to find that we don't have the resources left to maintain what we've been told, even by yourselves here—health and a pool of well-educated individuals with the highest level of post-secondary education in North America or something like that. I wonder if you have any advice for us on how we balance those challenges?

Mr Michael Hyde: If I understand your question correctly, Gerry, I think the labour costs you were referring to in that document are productivity labour costs as opposed to construction labour costs, where we have a big problem.

Mr Phillips: Manufacturing wages is what—

Mr Hyde: Manufacturing wages as opposed to construction labour rates. What we're saying is that if we can get construction labour rates down to a reasonable level so we can be competitive, we can attract investment and thus create jobs and a greater tax regime.

I'm not sure if I have answered your question, Gerry, but I want to address manufacturing labour rates versus the construction labour rates that we are very concerned about.

Mr Paton: On your other point, I guess our argument is that a tax structure that is more competitive will produce more growth and investment, which will produce more revenue. We don't see this as a zero sum game—you reduce taxes and you get less revenue. In our industry, in fact, the opposite will happen. Maybe it wouldn't happen in all jurisdictions, but Ontario is exceptionally well positioned as a manufacturing location. It's got 120 million people within one day's trucking of Ontario. That's huge and we do have the advantage of our health system. In the long run, I think you can reduce taxes and increase revenue.

The Chair: I have to go to Mr Christopherson.

Mr Christopherson: Thank you for your presentation. I don't think there is an argument from anyone about the importance of your industry to the economy.

I only have a couple of areas and, given there are only two minutes, I'll just raise the two areas and give you a chance to respond. If I have time, I'll follow up.

You talked positively about Bill 31 and I did want to put on the record that the unions, of course, didn't see it that way. The unions were quite appoleptic about the fact that there was very little consultation with them—none, in fact—on parts of Bill 31. They filled the galleries when we were debating it, but it was rammed through and we didn't get any proper committee hearings. It's one of those things that wouldn't register with most people, sort of a blip. But the other half of the partnership, if you will—the labour side—were not pleased. They didn't see this as something beneficial to their members and as a job creator, and didn't see it as something the government was doing to make things better for people who work in the industry or in construction, but rather from the other side of the equation.

Having said that, in your report card you mention that labour is one of the areas where you saw positive developments but work still to be done. Again, there wasn't one thing this government did in its first term vis-à-vis labour law that any labour leader saw as being beneficial. Every measure this government took took away some working person's rights somewhere, and at the end of four years we've seen a lot of rights that working people had that they no longer have, both unionized and non-unionized, because the Employment Standards Act was also watered down. So I would appreciate understanding what work you think still needs to be done.

1700

The other thing is, I'm from the community that had the unfortunate Plastimet fire. We also have in our community, and you have in Sarnia and also along the north-eastern seaboard of the United States where there's a concentration of chemical industries, the cancer rates, particularly among the people who work in the industry or live nearby. With thousands of new chemicals being introduced every year into the environment without ade-

quate knowledge, I wondered what steps you see the industry taking in working with government to improve, because I can't believe that you would find it acceptable. I know that you would say work needs to be done. What sort of steps do you think need to be taken to improve the health of communities that have chemicals in process at one stage or another in their communities, as we had in Plastimet where it was a storage issue, or for workers who are in the industry and exposed to products whose impact on the human body we have no scientific knowledge of?

Mr Hyde: Just to comment on Bill 31, one of my jobs in the province of Ontario is to compete with my colleagues around the world in order to get investment here. I want investment in Ontario. I want to create jobs, I want our site to grow. So what we need to do is recognize, along with all stakeholders, that we do not have a competitive regime yet in Ontario in order to attract and compete directly, whether it be with our colleagues in Alberta or our colleagues on the south coast of the United States. We're still working on that.

Bill 31 was needed. It needs to be improved because it is still difficult to get project agreement together with Bill 31. That's what we meant by still having work to do in order to get it together.

The whole bottom line is investment in jobs, and that's what I think we're after.

Mr Paton: I should add that a number of unions did support the project agreement, so I would hasten to argue it's not all unions that found this process—

Mr Christopherson: Fair enough, but the total number of workers represented by the unions that were opposed to it was much larger than the small number that supported it.

Mr Paton: On the health issue you raised, or community issue, I'm glad you raised it because it really is a serious concern of communities. I think I mentioned responsible care. Our commitment is to continuously reduce our emissions, first of all. We've produced a report every year since 1992 that records all the emissions from all our plants in 400 chemical areas. We're the first organization to ever do that. In fact, we even did it before the federal government started to do it. Those numbers basically show dramatic declines in emissions from the work that plants are doing to constantly improve their performance.

The issue of cancer effects and health is more recent, particularly endocrine and endocrine modulation and all these issues. Internationally there's a lot of money now going into research, into understanding what those potential effects would be. The reason why it's an issue is because some people have argued that even trace amounts can have negative effects, whereas up to now people have tended to think in terms of large amounts having effects on ecological systems and not so much on health. So our position on that is that it's a concern, we've got to understand it, we've got to work on it.

At the same time, we're reducing our emissions as fast as possible. In fact, at the Dow plant that Mike is

involved with there's no water runoff anymore from that plant into the St Clair River, whereas a few years ago there might have been. That's the kind of commitment that we have from our companies. We take that issue very seriously.

The Chair: Mr Christopherson, you've exhausted your time. I've been more than fair.

Mr Christopherson: Yes, you have, Chair. Thank you.

Mr O'Toole: Thank you very much for your presentation on an important sector. I certainly know from working in the auto sector how important it really is and is becoming.

In a general statement, just in response to your presentation, you raise five important issues that affect the underlying infrastructure of our economy. I always start with the simplistic premise, perhaps, that you are always looking for some balance. Industry kind of creates jobs, but it creates waste, it creates environmental things and worker issues and the rest. You're always striving for a balance.

I suspect we had five or 10 years, you might say, of crushing industry with all sorts of tax and regulations until there virtually was no economy. I'm not trying to oversimplify it, but you can regulate jobs out of existence. Yet we as a civil society are trying to find that balance, the harmony. Would you agree? Just a nod would do.

Mr Paton: Well, I've got to do more than just nod, and I won't be very long, though. We believe that you can balance environmental responsibility and competitiveness. In fact, we think our sector and our industry are really quite good at that.

Mr O'Toole: Good, because there's a lot on that environmental issue, and I might get to it. But our Premier and the finance minister have basically stated that you can't have a solid infrastructure in health and education and the environment, all of which I want—my constituents, my five children, my wife and all the rest of them all want that. We're not some sorts of demons out here. But you can't have it, really, without a healthy economy to pay for those, for research and development and the investments, in doing things better. I'm not coming from a lack of recognition. I really believe that fundamentally you have to have a strong economy to have a strong health care system, a strong educational system and indeed the tools for an effective, strong environment.

I'm going to follow up on one small piece you brought to our attention, which was the potential in the future of a carbon tax. You also mentioned that the Dow plant on the St Clair may have had—

The Chair: You'd better make your point, Mr O'Toole.

Mr O'Toole: —that it may have had less attention. What can your industry or your sector do, what could the government do, if it isn't a direct productivity penalty tax on compliant companies, to those which are not compliant—in other words, through fees, enforcement, heavier

finer? In some way we've got to make you responsible to achieve those carbon emission goals.

I don't think you're addressing this right—\$200 for a carbon charge. No, you've got to change the technology, the emissions and other things. You've got to research yourself out of the problem. Would you not agree that you're comparing the status quo with controlling it through tax? It would encourage you to find new methods and new techniques.

Mr Paton: I totally agree. If everybody had their way here, we'd invent all kinds of new technology, new processes, new cars. However, everybody who has done work on this has concluded that, yes, you can make some progress on that, but you can't make that much progress. Just take a look at the life cycle of a car, which is on average something like 11 to 12 years. If you had a fuel cell on the market today that you could buy, that was affordable, it would take 10, 12, 15 years to turn over a fleet. The Kyoto targets start in 2008. You wouldn't even have any impact on those numbers.

Therefore, we only use the carbon tax as a proxy to show you an example of how tough this could be for the economy. It's absolutely not a preferred course of action. It's just a proxy to show what could happen.

The Chair: Gentlemen, we've run out of time. On behalf of the committee, thank you very much for your presentation.

ONTARIO TEACHERS' FEDERATION

The Chair: Next we have the Ontario Teachers' Federation. On behalf of the committee, welcome.

Ms Barbara Sargent: Thank you very much. I am Barbara Sargent, president of the Ontario Teachers' Federation. I am pleased to have with me this afternoon Ruth Baumann and Peter Vandenberg, members of our OTF staff.

The Ontario Teachers' Federation is pleased to have the opportunity to present its views and comments as part of the pre-budget consultations. OTF has previously used this opportunity of the pre-budget consultations to make comments, express concerns and make recommendations related to elementary and secondary education.

This evening we intend to continue that discussion on the declining financial support for education, early childhood education, adult education, classroom support, curriculum reform and the new funding formula.

The education budget influences the lives of all Ontario citizens. We have already experienced the chaotic results of restructuring in health care and in the delivery of social services. We are now faced with a similar situation in education. We must problem-solve with time horizons well beyond the next election.

1710

I'm sure many of us have seen these ads on TV that used to state, "You can pay me now or you can pay me later." Paying later usually means paying more. For example, money invested in early childhood education now will result in less spending for special education and

social services in the future. Education is a long-term investment. We do things now to reap the benefits later.

Education has become critical for both individuals and employers. In today's economy, a four-year degree is a prerequisite to participating in the industries of the future.

Change is necessary. OTF believes in working to constantly improve and revitalize Ontario's educational system. OTF believes in education funding that provides opportunities for all Ontario students.

As far as the development of the financial model, OTF and the affiliates were involved from the outset in the attempts to design an alternative funding model. We participated in the working group on education finance reform. The working group had agreed with the five principles set out by the minister's advisory council. These were that it must be equitable, adequate, accountable, effective and flexible.

There were eight specific areas of concern that were identified which the working group felt deserved more individual attention than they could give in the present larger exercise. Those eight areas were compensatory education, special education, adult and continuing ed, costing framework/code of accounts, French section data, health and social services, transportation and capital.

On February 5, 1999, the Minister of Education and Training asked the Education Improvement Commission, the EIC, to do a systematic review of Ontario's new district school boards and report on the impact of amalgamation on the new financial model. The EIC has produced three interim reports.

In its Second Interim Report on the Progress Review of Ontario's New District School Boards, the EIC identified the following areas of concern: special education, costing framework/code of accounts, French section data, health and social services disentanglement, capital, transportation, early childhood education, future demand for teachers, and upcoming negotiations. I think it's interesting to note here how closely these areas of concern parallel the eight areas that the working group on education finance reform identified for further in-depth study.

These areas exemplify the real difficulties involved in funding an effective and equitable funding system. I'd like to use the EIC's report to highlight some of our concerns.

In the area of special education, concern has been raised by parents, school boards, teachers and the Education Improvement Commission about the funding of special-ed programs. According to the EIC, boards report that the funding of special-ed programs is not adequate to meet the needs of students. "The design of the funding formula drives programs in ways that were never intended," and "Boards have lost flexibility in the ways they can provide for students with special needs."

The Ontario Public Supervisory Officials' Association in their position paper estimated that boards across Ontario are spending about \$100 million more on special education than the formula allocates. Although the minister announced last week a further \$40 million for special education next year, there continues to be a sense

that the quality and the availability of supports for these special-needs students are deteriorating.

As far as the costing framework is concerned, data which are verifiable, timely and consistent must form the basis for a funding model of this type. Presently the data are not reliable enough to form the basis of support for any of the assumptions within the financial model.

The Ministry of Education, the stakeholders and school boards must co-operate in the development of a common data management system, and this needs to be done as soon as possible.

In the area of French-language education, Ontario now, as we know, has 12 French-language school boards. These are extremely large geographic boards and therefore incur significantly increased administrative costs. One board, for example, extends from Windsor to Trenton and has 40 schools and 6,300 students.

A second major area of concern is the large number of small schools within the jurisdiction of the French-language boards. This leads to a higher-than-average cost for administrative and plant operations and makes it extremely unlikely that the boards will be able to qualify for grants for new pupil places.

OTF staunchly supports French-language education and the creation of the French-language school boards. Equity in Ontario comes at a price and that price is necessary to pay.

In the area of health and social services disentanglement, in the late 1980s and the early 1990s it was the goal of the government to integrate services across ministries. Various provincial ministries, school boards and municipal and community service agencies worked together to improve the quality of social services to children and to provide after-school use of school facilities for community and recreational activities.

As governments have squeezed funding to both school boards and municipalities, institutions are now pushing to disentangle the integrated social services that are desperately needed in the lives of many of our students. For many students in our system the provision of adequate social services is essential to their daily lives. If these services are not available to them, providing assistance later on down the road will not only be more costly but far more complex.

In the area of capital, many boards, and especially northern and French-language boards, have trouble accessing money for capital improvements and new school construction. Boards which have a utilization factor above 100% do not have problems, but those with less than 100% must close schools in order to achieve full utilization. Forty-three boards have a school utilization factor under 100%. Many schools are below capacity and must be closed and sold before funding will become available for new school construction. When this part of the funding model was designed it appeared very logical, but in reality, school closings, especially in small, remote communities, will result in significant upheavals.

The EIC report clearly identifies several boards facing the problem of large geographic areas where enrolment is

declining in one area and growing in another, with distances too great to support busing. For example, the Renfrew County Catholic District School Board covers a large geographic area. It is experiencing growth in some areas and has excess capacity in its remote and rural schools. There are many small, single-school communities. Nine schools have fewer than 150 pupils. One school has two rooms with three grades in each room. The board believes that there are limited opportunities to close schools and redistribute students because of the wide geographical area involved.

The school is part of the life of the community. For years schools have been at the centre of the life of many small Ontario communities, and continue to be. The EIC second interim report stated that "Schools have major social, environmental, financial and cultural impact on the communities they are designed to serve." The funding formula does not support the maintenance of small schools. This will have significant consequences in many communities across Ontario.

Early childhood education: Over the past six years early childhood education programs have been directly affected by changes made by the Ministry of Education. In 1995 the ministry slashed funding for existing junior kindergarten programs. With the overhaul of education finance and the full implementation of the funding model in 1997, more than \$147 million has been removed from early learning grants previously used by school boards to reduce class size in grades 1 and 2 to fund full, everyday kindergarten and to fund primary French-language programs. During the 1999-2000 school year, boards that currently offer junior kindergarten programs are using existing funding from other budget lines and from reserves to cover these costs.

1720

The direction of the government to underfund early childhood education is contrary to the substantive Canadian research that points to the benefits of early years child care and education in raising the educational and social achievements of children. The results are astounding. The results of the research show that early childhood care, together with early childhood education, raise the academic achievement in reading and in math in the primary grades through young adulthood and that children who participate in these programs complete more years of education and are more likely to continue to learn throughout their careers. It's pretty astounding research.

Where should the government invest its resources? Should it be in child care services, in early childhood education services, in social service programs for children? We believe the government must invest resources in all three of these areas.

The renewal of the teaching profession: Today's teachers labour under increasingly difficult circumstances. Many of the services that supported classroom instruction have been removed or reduced. The recent pace of curriculum change has been mind-boggling. The new curriculum has not been adequately supported by

appropriate learning materials and textbooks and they're not available in sufficient numbers.

Salaries have basically been frozen since the early 1990s. With increased taxes and inflation, teachers' salaries have declined in real terms since the early 1990s. Compensation levels are thousands of dollars less than those of private sector jobs with similar education requirements and comparable responsibilities. The average Ontario teacher's salary is now significantly lower than the average for all of the adjoining US states.

Virtually all qualified teachers who are seeking employment have been able to find suitable teaching positions. Shortages of teachers in certain specialties such as mathematics, science and technology, and French as a second language already exist. An additional issue to the shortage is the fact that fewer men are now choosing teaching as a career.

Teachers are in demand. What is being done about it? In 1999, OTF served on a task force on teacher renewal and recruitment set up by the Ministry of Education, along with the Ontario College of Teachers, the directors of education and the deans of the faculties of education. There were many recommendations of the task force, but some of them included increasing teacher salaries, communicating positive messages about the profession, providing scholarships to train teachers of high-need subject areas, defining mentoring and associate teaching as instructional time, and targeting funding for the faculties of education to allow increased teacher candidate intake. The only recommendation implemented by this government was funding for 500 additional spaces in Ontario's teacher education program.

In conclusion, we believe a re-examination of the infrastructure is needed immediately, and in the meantime more money must flow into the model to prevent a crisis. We cannot afford to delay these badly needed structural adjustments any longer. The closing of schools in many small communities will have drastic negative social and cultural effects. Greater discussions with parents, students, politicians and stakeholders must be undertaken to prevent such closures.

Thank you. I'm open to questions.

The Chair: Thank you very much for your presentation. We have about three and a half minutes per caucus. I'll start with Mr Christopherson.

Mr Christopherson: Thank you very much for your presentation. I have a few comments and then a question.

I can't help but underscore a number of areas you have raised in terms of the problems that exist in communities. You raised special education problems. I'm from Hamilton and you will know that the Hamilton-Wentworth public board faces an incredible challenge in terms of the demographics in the inner city, in terms of the supports that a lot of the kids with special needs have. I can't recall whether you mentioned ESL, which of course fits into this category. It's a huge issue in Hamilton-Wentworth. The intake administrators at the board talk about the number of children coming in at the primary level in Hamilton for whom English is not the first

language. The numbers are going through the ceiling and the funding that's available to hire ESL teachers is falling through the floor. I don't think anyone would argue, notwithstanding the French schools, that if you are in the public system in Ontario and English isn't your first language, you have a serious challenge. The rules and the funding make it impossible for boards to meet the challenges.

On special education, when school opened we had kids who couldn't even go into the classroom because there weren't enough special-ed assistants—EAs, educational assistants—in the classrooms to let them go in. Now the board has gone out on a limb and quite frankly told the government: "To hell with you. We're not leaving those kids at home, and if we have to go into a deficit position, we're at least going to get them into the classroom." I applaud that move. They had to do the same thing when this government tried to shut down the schools a year and a half ago, and all the boards stuck together and were able to face the government down.

It needs to be said that, yes, most of those children are now in the classroom. But that's all. They're in the classroom, but they're still not getting the education they should have because they don't have educational assistants to provide them with the added support they need. So they're in the classroom but they're not learning. At the end of the day we're not serving those children, we're not serving the families and the government is certainly not even meeting its moral obligation, and arguably even its legal obligation, to provide these children with the support they need. So we're in the hole in Hamilton-Wentworth to the tune of about \$3 million on that issue alone.

I represent the downtown area of the city, and I say to the members of the government: I don't know what's happening in your respective communities, but in communities like mine, the larger, older urban communities in the inner core that do not have the necessary funding, there is a lot of concentration of lower-income families and the challenges that produces, and the number of children for whom English isn't their first language is increasing. It's only going to get worse. I agree that if we don't pay the bucks now, we're going to pay them later, and you know where we're going to pay it.

You talk about schools closing down and the importance of those schools to smaller communities. If you take downtown Hamilton as an example, we replicate 12, 15 or 20 times the experience of small communities where the school serves not just as the focus for education but is the only recreational service available for an entire neighbourhood, the only green space that's available for an entire neighbourhood, the only available public meeting space for neighbourhood associations etc. If you shut down those schools in Hamilton—and look at the list—you are replicating 15 or 20 times over the issue you are raising in small communities. It's the same thing. If you take a number of streets and neighbourhoods in an inner city and start closing down the schools, you have the same impact on that immediate community that you

have in a small community, and it's not a pleasant picture.

The Chair: Your questions will have to be posed very shortly, Mr Christopherson.

Mr Christopherson: I hear you, Chair. This stuff really riles me.

The Chair: I just want to be fair.

Mr Christopherson: I hear you.

The government rolls in here and talks about tax cuts, tax cuts, tax cuts. When we talk about education, I want to talk about kids, kids, kids, in terms of what's happening to them because the money is not there, because you used it to give all your wealthy friends a tax cut. It's infuriating to deal with your bragging about what's going on and then have people on the front line in our communities tell us: "Guess what, folks. It isn't like that."

My question is this: You represent thousands of teachers across the province, clearly middle-class Ontarians. I want to know whether those teachers think the trade-off they see happening in the classroom, in terms of the lack of funding, is worth the tax cut they are getting, which this government says everybody is in love with.

1730

Ms Sargent: Being probably the most recent person in the classroom and closest to the teachers, let me tell you that teachers go in their classrooms, they close the door and they do the job that needs to get done. Teachers will do whatever they can to make sure they do a good job. It doesn't come down to one or the other for them. Their concern is the high quality of education that they give to their students. I don't think it can be a question of one or the other.

The Chair: With that I have to go to the government side; Mr O'Toole.

Mr O'Toole: Thank you for your presentation today. Since there's limited time, I'll focus on your presentation. On the development of the finance model, just a bit of background: In the general sense, do you think it would be fair to start with the premise that education reform, both in governance and in content, has been an ongoing discussion issue for the greater part of perhaps the early 1990s? Perhaps in 1990 it really aggressively started. Would you think that's a fair premise? I'm starting from the premise that the first four education reform bills are already out. I could show you the press releases from David Cooke. I really want you to focus on, was it essential that all three parties had recognized that education reform was critical?

Ms Sargent: Before Ruth answers, I want to say that—

Mr O'Toole: No, no. Would you agree that all three parties—Sweeney, Cooke, you name them, and in fact Sean Conway. I was a school trustee when he was Minister of Education.

Ms Sargent: I don't think there's any doubt that anyone around agrees that there needed to be some reform in education, no doubt whatsoever.

Mr O'Toole: You participated too.

Ms Sargent: It's how it's being done.

Mr O'Toole: But you participated, and I commend you for that. The political—

The Chair: Mr O'Toole, I don't think the—

Mr O'Toole: I got the answer. It was a yes.

The Chair: Are you finished with your answer?

Ms Sargent: Ruth was going to—

Ms Ruth Baumann: I was simply going to say that the reform of education finance is an issue that has dogged Ontario for a lot longer than the 1990s.

Mr O'Toole: Yes, Bill Davis started it, actually.

Ms Baumann: Actually, I suspect it was a problem at the time of Egerton Ryerson too. But certainly through the 20-some years that I've been in the profession in Ontario—I was on committees with Bette Stephenson as minister. The fact is, it's not simple, and one of the things that—

Mr O'Toole: I apologize, but I do want to bring my point—

The Chair: Please, Mr O'Toole, I think you have to give our guests a chance to answer the question.

Mr O'Toole: Mr Chair, if you will, I'm respecting your position. I don't want a 48-page answer. I agree that reform was essential. I've read your report and I'm questioning your report.

Interjection.

Mr O'Toole: No, no, I'm not. I'm giving—

The Chair: Let's try for some order in here.

Mr O'Toole: I'm talking about your participation in the ed finance reform under the working group, which you stated here very clearly. My question is this: Do you believe in equitable education and the funding consequences of that? That's been the debate for 10 years, whether you're separate, public, French, English. Do you believe in that model?

In my area, my constituents and my five children had less spent on their education and their future, in the public education system, than children in other parts of the province. Is that your idea of public education, or do you think we did the right thing by trying to find a model that would suit all students?

Ms Baumann: I think what successive governments have tried to do is to find ways to deliver programs that are equitable to children who are in very diverse circumstances. That does not mean they cost the same. They inevitably cost different amounts because the circumstances are different.

What we have seen recently, and this is where the crunch comes in terms of what we've been trying to say today, is that the model itself, as the Education Improvement Commission said, is structurally probably not a bad thing. You have to have a model; you have to have a way to get the money out there. But the shift from a two-payer system—the school boards' local tax base and the provincial government—to a single-payer system was done without a sound base of information about exactly what was going on in the school boards. In fact, some of the many places that the shoes are pinching now, where things are not working well, like special education, are in part the result of the fact that no one had good informa-

tion. There has to be an ongoing dialogue and an ability to adjust as we go. We're saying that some of those require real attention and we've highlighted a number of those areas.

Mr O'Toole: I agree with you. I think on special education—

The Chair: You've run out of time, Mr O'Toole.

Mr O'Toole: —the minister is addressing the changes that are needed.

The Chair: Mr O'Toole, please come to order. We'll go to the official opposition.

Mr Gerard Kennedy (Parkdale-High Park): You have raised a number of important points. There is a balancing in your presentation. Mr Eves wants to make things sound rosy. You're saying there are some unmet needs in education, and some of these needs are either blatantly ignored—not your words. I'm just going to ask you to comment on a couple of things.

It seems to me that the direction the royal commission set, for example, that had different kinds of approval for all three parties has kind of been twisted here. The real test right now is, will the government acknowledge errors or will it just mismanage by ignoring them and letting them fester? I think that's where the kids' future is at stake.

For example, you mentioned before- and after-school programs. I came from a meeting last night covering the old city of York and the city of Toronto. A thousand households, 1,500 kids, are having their before and after programs summarily taken away in some of the lowest-income neighbourhoods in this province, and it's done directly and only as a result of the funding formula. I just wonder, from the standpoint of teachers, the consequence of that vis-à-vis the small savings involved. Is there a comment you want to make specifically or do you want to stand on what your paper says?

Mr Peter Vandenberg: The biggest problem with the funding model that kind of looks after all those issues is that the data that the government based it on—basically all of it—that were available at the time were so out of date.

The other thing is that in modelling you can have just a straight algorithmic type of model or you can have a heuristic model. In the algorithmic model, it just doesn't reflect society. It's too simple. It's a very simple answer for a very complex question.

We have said in our brief that school boards—and I'll give you a for-instance in a few minutes—cannot provide the ministry with up-to-date information. It's about a year-and-a-half to two-year lag between that. If you have that and then you have a model that you just introduced, it's going to be devastating. Somewhere down the line you're going to lose. The things you have said, like after-school programs, have never been involved in the model itself.

Mr Kennedy: I don't know where, outside of the Soviet politburo, we've seen this central command control kind of thing being attempted. Frankly, I see the parallel between the health system and a formula that was

imposed there, which we're now paying billions of dollars to backpedal on, where demands made by the central committee have had to be put off; the cost of adjustment, according to the Provincial Auditor, is at least double. I don't want to see those repeated again.

For example, the member opposite says they're doing the right thing to suit all students. He's kind of endorsing the direction the government's taking, which is closing schools in Port Dover, Valleyview, Seaforth and in rural communities all across the province just because they don't fit the formula. What I don't understand is where, in the education dialogue we've ever had, has a central government said before: "All you parents, students and schools, you fit our formula. We won't introduce the flexibility"—or, as you said, the complexity—"to make the formula fit the students' needs." Has there ever been a parallel to this before? It seems new, does it?

Ms Baumann: I think there have been some real problems before and we have to be careful not to ignore some of those. A number of school boards could not solve problems under the old system because they could not raise enough money and there were other boards that could easily solve them. Now everybody has trouble solving them, so there's equity of trouble.

Mr Kennedy: Equity of pain is an interesting concept for public policy.

Ms Baumann: Whatever party undertook the reform of education financing in whatever way, it was going to be painful. I—

Mr Kennedy: Can I just get a quick opinion? I'm sorry to interrupt. I'm mindful my time is running out. Sorry, could you finish that, then I just want to—

Ms Baumann: It was going to be a painful process. The important part is to try to minimize the pain and to try to find ways to solve the problems as they're identified. I'll go back to something Peter said. It's not a simplistic algorithm that you can just sort of slap down. It requires a series of successive adjustments and approximations, because your information is not always right. It's going to be really important that there be enough openness to look at that and a willingness to say that it can't be a closed zero-sum thing, that if in fact there are some additional dollars required, they have to come in.

1740

Mr Kennedy: Exactly apropos of that, we had a recent test when we saw the response to special education. Is this just a central conceit of the government that they control everything even though the information is out of date, that they won't listen to anyone, or are they prepared to deal with it? There is \$106 million that the boards have documented—every board but four—so virtually all the members opposite are affected by these cuts of two kinds. The boards are cannibalizing their other programs to pay for special education, and that's a tenuous and obviously temporary thing. As well, they have cut back services. We don't have a number on that, but our estimate is that it's almost equivalent, that about \$80 million or \$90 million of the services have already been cut. That's \$200 million less that the government is

giving than was being spent by the boards before, and now they've said they'll give \$40 million apparently just for one year. Do you consider that an adequate response to the needs of people—and they've been unfortunately visiting this Legislature—the visually impaired and so on, the special needs kids, the developmentally affected—needing that special care? The case has been made. The boards have come together.

The Chair: Could you please pose your question.

Mr Kennedy: Do you think that's adequate, the response the government made a couple of days ago?

Ms Sargent: Definitely not. All you had to do is the math. The boards are spending over \$100 million. That \$40 million that was announced is only a one-time thing and it doesn't come close to the \$100 million. What happens after that?

Mr Kennedy: More cuts for the kids.

The Chair: With that, we have run out of time. On behalf of the committee, thank you very much for your presentation.

ONTARIO COALITION FOR BETTER CHILD CARE

The Chair: Next we have the Ontario Coalition for Better Child Care. Welcome.

Ms Mary-Anne Bédard: Thank you. My name is Mary-Anne Bédard. I am the executive director of the Ontario Coalition for Better Child Care. I would like to thank the committee for the opportunity to address them this evening.

My presentation has four parts: an introduction to the Ontario Coalition for Better Child Care, an overview of the pressures that are addressing the child care system in Ontario, some solutions or a vision that we would like to offer you, and then some recommendations of how the Ontario government might manage that through their budget process.

The Ontario Coalition for Better Child Care was founded in 1981 with a mandate to advocate for the development of high-quality, non-profit child care services in Ontario. We include representatives from education, health care, labour, child welfare, rural child care, First Nations, francophone, anti-poverty, professional and women's organizations. In addition, we serve community child care programs.

We are a public awareness organization, bringing the benefits of early childhood education to the attention of the public and to policy-makers. We monitor provincial child care policy and legislation and we lobby for changes and improvements. We develop policy alternatives for government consideration and we develop books, manuals, fact sheets and news bulletins on child care programs.

The current environment in Ontario has seriously affected the accessibility of services and it threatens to destroy an entire system that was once envied by every province in Canada. Although the Ontario government maintains that it is spending more on child care than any

previous government, analysis of provincial allocations for regulated child care show a difference of \$70 million between 1995 and 1998. The actual annual child care expenditure has dropped 15% in those years, from \$281.81 to \$238.40. During that same period of time, the number of children under the age of 12 with mothers in the workforce increased by 70,000, but only 19,000 new child care spaces were created, so I wonder where those children are and who is looking after them. It is clear from those statistics that the present system is not responding to the needs of Ontario families.

I would like to go over some of the additional pressures facing child care in Ontario, the number one being municipal downloading. Downloading to municipalities of child care costs was fully implemented in January of this year. But in 1997, when the decision to download was initially made, parents and other members of the child care community, as well as municipal representatives, lobbied the province strenuously to be able to keep 100% of the subsidized parent revenue, \$25 million, in order to protect existing subsidies. Recently, the province reversed this decision, thus downloading an additional financial burden on to cash-strapped municipalities. Municipal governments are trying to assess the impact as they prepare their next budgets but it is clear that without additional provincial funding, municipalities will either increase property taxes or cut funding to public services such as child care.

The Harris government is privatizing child care services by stealth. Instead of privatizing services through provincial legislation, the province is downloading child care services to cash-strapped municipalities, which are now responding with deregulation and privatization.

Traditionally, municipally operated child care programs are fully subsidized and they are established in communities where there is no other child care or they are in high-needs areas. Staff training and qualifications are usually higher. To date, as a result of downloading, municipal centres in York and Elliot Lake have been closed and their services have been contracted out to the community sector where staff have fewer qualifications, they earn lower wages and they have less ability to deal with high-needs populations.

Community-based programs are struggling with frozen per diems, many of them for six years. They are contending with funding shortages as a result of these costs not being met, and as a result, parent boards are forced to increase their fees, cut funding for outings, games, toys and equipment, as well as staff salaries and benefits. Clearly program quality is deteriorating and will continue to do so unless funding is restored.

Wage grants were implemented in the child care sector because policy-makers recognized the relationship between quality child care services and a stable workforce. In its downloading process, the government gave municipalities the discretion to reallocate wage grants as a flawed option for managing increased child care costs. If acted upon, the same pot of money will be used to provide grants for new staff in the non-profit sector who

currently don't receive grants and possibly to staff in the for-profit sector who have traditionally been excluded from the bulk of the grant. Child care workers in the non-profit sector remain grossly underpaid for their work even with wage grants. Our coalition is opposed to the idea that these staff would subsidize the wages of other staff who don't receive grants because the province refuses to provide adequate funding.

Furthermore, some municipalities are considering including the for-profit sector in their reallocation proposals. Reallocation will result in lower wages for the majority of child care staff, and where reallocation includes the for-profit sector, it will result in public dollars being used to subsidize private business that is not accountable to taxpayers.

With regard to Ontario Works child care, the municipalities' inability to implement this program was documented in the KPMG report in Toronto last year that concluded the Ontario Works program could not succeed in the long run with inadequate access to child care. It predicted that children of Ontario Works clients would be forced into informal care, irrespective of parental choice.

Some municipalities have indicated that they will use only unregulated child care for these children because of the lack of funding. These children are already at high risk and it is they who benefit most from participation in quality, regulated child care.

This is the first public policy in Ontario that has created two tiers of child care service by forcing low-income families to use unmonitored care. As a result, these parents will be put in the unacceptable position of leaving their children in settings of dubious quality and safety in order to access the very money they need to feed and house their children.

Privatization through reallocation of funding to the for-profit or unlicensed sector does not address the needs of thousands of parents on waiting lists for subsidized, quality child care. Privatization means children being placed in care of dubious quality, losing access to the benefits of high-quality services, fragmentation of an already fragile network of services, increased parent fees, deterioration of wages and working conditions for child care workers and loss of accountability for taxpayers. The province has also pursued other initiatives that have had a negative impact on child care.

1750

Child care in schools: 40% of Ontario's licensed child care is located within schools. However, recent education cuts do not treat these programs as legitimate school expenses. If forced out of schools, child care programs have no capital funding to relocate.

Our coalition has completed a survey this year to determine how child care programs are being affected by the education policies. The survey reveals that child care programs are facing eviction, increased rental costs and reduced space right across the province, jeopardizing the important link between child care and schools.

In 1995, the provincial government eliminated capital funding for child care programs. In September 1999, the

Ministry of Community and Social Services' new playground directive required operators of licensed child care centres to meet new Canadian standards for playground apparatus. All licensed child care operators were also required to develop safety policies for their playgrounds.

While the child care community supported this move to ensure environments were safe, they were astounded that the government would expect them to implement such a policy without adequate training or capital funding.

Successful implementation of this directive requires partnership. If the government is serious about keeping children safe, it will ensure that the necessary resources and training are available to make this directive successful.

Changes to OSAP regulations: The 1996 decision to remove parents in post-secondary education from social assistance and eliminate the child care bursary is still having a devastating impact. Low-income parents who continue to struggle for a better life for their families are graduating with untenable debts and are the only parents expected to borrow money for their child care.

Pay equity is also an ongoing issue for the child care community. Legislation mandates that child care programs continue pay equity adjustments beyond 1998. However, the province refuses to flow additional money to meet that obligation. Child care programs are being forced to decide between making the pay equity adjustments and accumulating debts that will become unsustainable, or discontinuing further adjustments, putting them in direct contravention of the statute. Both of these options are untenable.

After many years of advocating for children, we have come to appreciate that a holistic approach to support during the early years is what the families of Ontario need. They need a mix of benefits and services targeted at their needs and not designed to favour one family at the expense of another, because the child exists within the family, which exists within our society.

The formula for good child care is no mystery. Extensive research shows that quality programs have high ratios, consistent caregivers, small group sizes, appropriately trained and compensated staff, and adequate physical environments. These are the elements of quality care and they depend on adequate public funding, non-profit delivery, parental involvement and enforced regulatory standards.

There have been numerous reports and studies in the areas of social policy, health, economics, education and child development. They all agree that the best way to support children is through progressive family policy. I've listed some of those findings for you in my brief.

The OCBCC is calling on the provincial government to invest in the future of Ontario by developing a comprehensive system of early childhood development services, including child care, to support families during the early years of a child's development. We know from the volumes of research available to us that the early years

are too important to waste on the patchwork of disjointed and diminishing services available in Ontario.

If you ask yourself why we need a system, I have made several points.

It supports healthy child development because regardless of a parent's employment status, early childhood development opportunities benefit all children and help them realize their full potential.

It fosters economic growth because early childhood development services enable the parents to enter work or training to help them access employment.

It creates jobs.

It reduces child poverty. Affordable services allow parents to participate in the workforce to earn the support they need for their families.

It invests in the future workforce because high-quality services provide children with the best possible start in life. As the people in front of me said, "You can either invest now, or you can invest later." I think it's far more wise to invest now.

The Ontario government can make the development of early childhood development services a high priority by co-operating with the federal government in the negotiations of the National Children's Agenda and by allocating their own additional resources.

In conclusion, our coalition has the following recommendations:

(1) That the Ontario government return to its traditional leadership role in developing licensed, quality child care by making substantial new investments in this sector;

(2) That the Ontario government undertake a five-year plan to increase child care spaces and provide base funding for child care services through the creation of a pilot project modeled on Quebec's universal child care system;

(3) That the Ontario government provide ongoing funding for mandatory pay equity adjustments in recognition of the principles of pay equity;

(4) That the Ontario government immediately dismantle Ontario Works and invest in job creation and training programs that lead to permanent jobs and access to high-quality child care for the unemployed and for people on social assistance;

(5) That the Ontario government restore all funding for education;

(6) That the Ontario government reinstate the policy that required new schools to build child care space;

(7) That the Ontario government make new and substantial investments in children to address the serious issue of child poverty;

(8) That the Ontario government restore capital funding for child care and provide the necessary resources and training to enable them to meet CSA standards and implement safe playground policies;

(9) Finally, as a signatory of the National Children's Agenda, that the Ontario government demonstrate vision, political will and commitment to regulated, licensed,

non-profit services for Ontario's children and families in the next provincial budget.

The Chair: Thank you very much for your presentation. We have about three minutes per caucus. I'll start with the government side, Mr Galt.

Mr Galt: Ms Bédard, thank you for your presentation. You hit on a lot, particularly in the early part of your presentation, talking about downloading. From the opposition and presentations like yours, I'm almost starting to believe it, because I've heard it so often.

Ms Bédard: Hallelujah.

Mr Galt: But let's go back and look at what really happened. It's all about disentanglement. The Ontario government started to pay 50% of the education tax on residential assessment. That was agreed to by AMO in discussions with the municipalities, which formed committees along with the government. We came out with a presentation which they didn't particularly like, so they came back to us with alternate suggestions. We accepted all of it except for the suggestion that school boards should still be able to tax 5%. We felt that was like the elephant getting the tip of the trunk under the tent and soon the elephant would be inside. We disagreed. That was the only thing we disagreed with, and that was revenue-neutral. That was not downloading; that was revenue-neutral. What was outside of that were some of the roads that we transferred, and in my riding, the highways that were transferred. Some \$15 million was transferred with those roads. So, just getting the record straight and looking at what has happened with the municipalities, most in Ontario have been cutting taxes. Because of our changes, they are now able to reduce the tax load in their respective municipalities. I think that's important to remember.

I heard your presentation, and I'm concerned that we have increased funding some 30% for child care in various areas. You're shaking your head no. The figures show a 30% increase. But my question, after that ramble, relates to your recommendations, and thanks for having some, because we hear people just ramble sometimes. I'm curious. Do you have any idea what each one of these would cost or what the total cost might be for the implementation of these? This is about pre-budget hearings, and we need to know, if we're going to plug these in, what that would cost.

Ms Bédard: I would certainly be very happy to work with you on working the costings. We are working on the costings of some of those things. A lot of them are just a re-establishment of what was there before that has been cut, and \$70 million has been cut out of regulated child care. You may be adding different stuff in, but it's not child care. The Ontario tax supplement for parents for child care is not child care. Although you may say you're paying more for child care, it's not for child care. We need to be clear on that.

As far as downloading, certainly what we hear from municipalities does not agree with what you hear. It is not revenue-neutral for them. They are not decreasing their property taxes. They're actually looking at increases

in order to maintain the services that they presently have. Maybe we can talk about that at another time, that conflicting information. Obviously, what you're hearing from municipalities is not what we're hearing from municipalities. When we have the final analysis of that survey that I was talking about, because we surveyed municipalities and school boards, I think we'll see that they are facing a huge increase of costs to maintain the services they have, and that certainly is a really big problem for us.

The Chair: Thank you very much. We've run out of time. The official opposition.

Mr John Gerretsen (Kingston and the Islands): Just a very short question. Before doing that, I certainly agree with you that most municipalities are finding it much tougher now than before, perhaps not the few large, growing municipalities in Ontario, but most of them are having a much tougher time now than they had before.

My question deals more in a general fashion. Could you tell me a little bit about Quebec's universal child care system that you talked about in recommendation 2? How does that basically differ from Ontario's system?

Ms Bédard: Basically what Quebec instituted three years ago, in 1997, was a universal child care program. They made child care services accessible to all parents, so it didn't depend on their workforce attachment. Why this is good is because it puts forward the principles of early childhood education being important for children and not necessarily dependent on the parents' needs. It's putting the children's needs first. It's universally accessible, so it's not targeted and stigmatized if you have to apply for a subsidy. What they did was redirect some of their funding that was going to other areas and pooled it all into the provision of this child care. It is costing Quebec more money but they look at it as an investment in their future.

Mr Gerretsen: Is it a combined public-private system?

Ms Bédard: You mean profit and non-profit?

Mr Gerretsen: Right.

Ms Bédard: It is, although it is predominantly non-profit. It is also important to note that it's not a stand-alone universal child care. It's part of a progressive family policy. It doesn't say that you must put your child in child care. They have provisions for longer maternity leave and low-wage supplements; they have provisions for child care. So it's part of a policy to support families whatever their needs. One of the biggest criticisms of the Quebec policy is the fact that it is in such demand that parents cannot access it, and the greatest demand is coming from parents who are home with their children, who recognize that it's an important tool for them to raise their children.

Mr Phillips: Just a comment and then a question. I remember the Who Does What group that was responsible for advising the government on which things should be on municipalities and which things should be handled by the province. That was a hand-picked group by Mike Harris: 14 people, all presumably ones he had complete

confidence in. I carry around with me the recommendation, which is that they strongly opposed the move to put social assistance, child care and health onto property tax: "The panel strongly opposes such a move. We are unanimous in that view." It isn't quite that the government accepted the recommendations; in fact, they went diametrically opposed to their own Crombie recommendations.

We often hear: "We're spending more on child care than any previous government. This is simply not an issue." You've partially clarified that for us, but can you help us a little bit with where that "additional money" is going, if you believe that?

Ms Bédard: I suspect the biggest chunk is the Ontario child care supplement, which is \$200 million. That is targeted to families making about \$20,000, if they have receiptable child care, and it adds up to a total of about \$1,000 a year. They may call it child care, but it's about \$100 a month, and you can't buy child care for \$100 a month. So while it's been lumped into the child care budget, it is not child care. They have cut the actual provision of regulated child care by \$70 million and they've lumped in a bunch of other money that is not child care and it is being called child care. That's where the misconception comes from, and they get to stand up and announce that they're spending more on child care when in actual fact they're not spending more on child care.

Ms Marilyn Churley (Broadview-Greenwood): Thank you for your presentation. Hallelujah. I'm glad that you clarified forcefully the issue around daycare and child care funding, because I know on several occasions when I asked questions about it in the Legislature, what I always got back was the mantra, "This government is spending more money than you did, than ever before, on child care," which, as we know, is not correct information. I guess you're not necessarily here today to play the game "Who spent more when" anyway.

Certainly you have put forward some recommendations that aren't new. I am aware of them. I've seen them before. What is disappointing and alarming is that like in a lot of other areas, especially in social programs and policies, previous governments were at least slowly making if not major then minor steps forward, and what we're seeing here, as in other areas, are steps backward, the downloading and the cuts. I'd like your comments on that. I'd like to have an understanding of where we are now vis-à-vis where we were several years ago.

With all studies that have been done on early childhood development—we are advancing more and more in terms that we understand what we need to do more and more now, and it's not just child care but early childhood education, the Mustard report, all of those things. In terms of your recommendations before us today—Mr Galt asked a question about costing—if you had to make some choices right now about the first thing you'd like to do, sitting down with the government, reaching an agreement that a certain amount of additional dollars will be put in right now, what is the first thing you would see happening?

Ms Bédard: I would like to get a universal system of child care like they have in Quebec. That's the first thing I'd like to sit down with the government to talk about. But I think the Harris government is the first to cut child care. We have made slow and steady progress since the Second World War when we came up with the Day Nurseries Act. Women started going back into the workforce—were encouraged to go back into the workforce—and it was recognized: "Who is going to take care of the children? We need to come up with a system for that." We've slowly been advancing on what that system has been: getting more parental involvement, higher quality and more educational standards.

I think that now, with things like the Early Years report, we're understanding more of why we do that. We always knew we should do that, and now we know why we're doing that. The government is very pleased to have commissioned that report and is very pleased to take it around and take credit for that report, but is actually not doing anything to implement that report other than a few test sites. I think they need to move more on that. We have the information. We've done pilot projects to death. We have in Quebec a living, breathing example of the benefits of a program like that. I'm not saying we have to do exactly what they're doing in Quebec. We're a distinct, unique province and we're going to have to do something unique and distinct for us.

Ms Churley: In fact, the government closed down the eight pilots that our government had started for several years and then re-created and started some new ones.

Ms Bédard: I think one of the biggest downfalls of downloading is the fact that there is no provincial leader-

ship in child care services any more, and so the fragmentation we were experiencing from 1995 to 1997 and hanging on with our fingernails—and you can probably see my scratch marks going out of the Legislative Building as I've been hanging on to the stuff here. It's further downloaded and it is becoming more and more difficult to fight it.

I can come here and make a presentation to you, but then I have to run around to every municipality in this province and fight with every municipal government to keep the services on the table so that if the Ontario government takes back responsibility, there's something left.

Ms Churley: So downloading is a very big issue and you'd like to see the government take back that responsibility.

Ms Bédard: Absolutely. They need to take responsibility, because families need equitable access to service, and that's not going to happen—

The Chair: We've run out of time. On behalf of the committee, thank you very much for your presentation.

The committee will reconvene tomorrow morning in this room at 10 o'clock.

Mr Phillips: Mr Chair. I don't know whether it's permissible, but my colleague Mr Kennedy said the school was called Valleyview and the school was actually Valley Heights. I don't know whether I'm allowed to correct his Hansard or not, but I put that on the record.

The Chair: I don't have any problem with a correction for the record. Thank you very much.

This committee is now adjourned.

The committee adjourned at 1810.

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Chair / Président

Mr Marcel Beaubien (Lambton-Kent-Middlesex PC)

Vice-Chair / Vice-Président

Mr Doug Galt (Northumberland PC)

Mr Ted Arnott (Waterloo-Wellington PC)

Mr Marcel Beaubien (Lambton-Kent-Middlesex PC)

Mr David Christopherson (Hamilton West / -Ouest ND)

Mr Doug Galt (Northumberland PC)

Mr Monte Kwinter (York Centre / -Centre L)

Mrs Tina R. Molinari (Thornhill PC)

Mr Gerry Phillips (Scarborough-Agincourt L)

Mr Toni Skarica (Wentworth-Burlington PC)

Substitutions / Membres remplaçants

Mr John O'Toole (Durham PC)

Also taking part / Autres participants et participantes

Ms Marilyn Churley (Broadview-Greenwood ND)

Mr Dwight Duncan (Windsor-St Clair L)

Mr John Gerretsen (Kingston and the Islands / Kingston et les îles L)

Mr Gerard Kennedy (Parkdale-High Park L)

Clerk / Greffier

Mr Tom Prins

Staff / Personnel

Mr David Rampersad, researcher,
Research and Information Services

CONTENTS

Tuesday 1 February 2000

Pre-budget consultations	F-11
Minister of Finance.....	F-11
Hon Ernie L. Eves, minister	
Ministry of Finance	F-25
Dr Bryne Purchase, deputy minister	
Mr Philip Howell, ADM and chief economist, office of economic policy	
Mr Terry Hewak, director, fiscal planning branch	
Mr Tony Salerno, vice-chair and CEO, Ontario Financing Authority	
Mr David Lindsay, president and CEO, Ontario SuperBuild Corp	
Mr Robert Siddall, provincial controller, office of the controller	
Ontario Road Builders' Association.....	F-41
Mr Robert Bradford	
Canadian Chemical Producers' Association	F-46
Mr Richard Paton	
Mr Norm Huebel	
Mr Michael Hyde	
Ontario Teachers' Federation.....	F-51
Ms Barbara Sargent	
Ms Ruth Baumann	
Mr Peter Vandenberg	
Ontario Coalition for Better Child Care.....	F-56
Ms Mary-Anne Bédard	

Copyright
© 2000



F-4

F-4

ISSN 1180-4386

**Legislative Assembly
of Ontario**

First Session, 37th Parliament

**Assemblée législative
de l'Ontario**

Première session, 37^e législature

**Official Report
of Debates
(Hansard)**

Wednesday 2 February 2000

**Journal
des débats
(Hansard)**

Mercredi 2 février 2000

**Standing committee on
finance and economic affairs**

Pre-budget Consultations

**Comité permanent des finances
et des affaires économiques**

Consultations prébudgétaires



Chair: Marcel Beaubien
Clerk: Tom Prins

Président : Marcel Beaubien
Greffier : Tom Prins

Hansard on the Internet

Hansard and other documents of the Legislative Assembly can be on your personal computer within hours after each sitting. The address is:

<http://www.ontla.on.ca/>

Index inquiries

Reference to a cumulative index of previous issues may be obtained by calling the Hansard Reporting Service indexing staff at 416-325-7410 or 325-3708.

Copies of Hansard

Information regarding purchase of copies of Hansard may be obtained from Publications Ontario, Management Board Secretariat, 50 Grosvenor Street, Toronto, Ontario, M7A 1N8. Phone 416-326-5310, 326-5311 or toll-free 1-800-668-9938.

Le Journal des débats sur Internet

L'adresse pour faire paraître sur votre ordinateur personnel le Journal et d'autres documents de l'Assemblée législative en quelques heures seulement après la séance est :

Renseignements sur l'index

Adressez vos questions portant sur des numéros précédents du Journal des débats au personnel de l'index, qui vous fourniront des références aux pages dans l'index cumulatif, en composant le 416-325-7410 ou le 325-3708.

Exemplaires du Journal

Pour des exemplaires, veuillez prendre contact avec Publications Ontario, Secrétariat du Conseil de gestion, 50 rue Grosvenor, Toronto (Ontario) M7A 1N8. Par téléphone : 416-326-5310, 326-5311, ou sans frais : 1-800-668-9938.



LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
FINANCE AND ECONOMIC AFFAIRSCOMITÉ PERMANENT DES FINANCES
ET DES AFFAIRES ÉCONOMIQUES

Wednesday 2 February 2000

Mercredi 2 février 2000

*The committee met at 1003 in room 151.*PRE-BUDGET CONSULTATIONS
CANADIAN FEDERATION OF
INDEPENDENT BUSINESS

The Chair (Mr Marcel Beaubien): If I can get your attention, please, I would like to bring the committee to order. It's a little after 10 o'clock, and if we want to get done on time, we might as well get started.

Our first presenter this morning is our representative from the Canadian Federation of Independent Business. For the record, could you please state your name and position.

Ms Catherine Swift: My name is Catherine Swift. I'm president and CEO of the Canadian Federation of Independent Business. I'd also like to introduce my colleague, who is probably known to most, if not all, of you, Judith Andrew, who is CFIB's vice-president for Ontario and appears here a lot more frequently than I do. In fact, Judith will be back here in a couple of weeks representing the CFIB-specific perspective on some particular policy issues.

I've been invited today as a so-called expert witness. My background is also as an economist, which is probably one of the reasons I was invited as well, so I want to speak to some of the more macro-economic issues for the province and even some national issues as well, as they affect the province.

We have provided everybody with a kit with a few items in it. We have a PowerPoint presentation today, not too extensive, but a black and white version of it is contained in the kit. Also in the kit, on the left-hand side, is a letter I recently wrote to the Prime Minister which addresses some broader policy issues that I believe are relevant to this province as well. Also, I've included our latest pre-budget presentation, which was made last fall to the federal finance committee, and, again, a number of the recommendations there are germane to Ontario.

Another inclusion in the kit is a study called Small is Big. This was actually a study that we conducted jointly with Scotiabank last year. We were the co-hosts of an international small business congress in Canada, and this was actually a public opinion poll on Canadians' views towards small business owners.

Finally, the last item is our national economic outlook for 2000, and a little later in my presentation I'm going to

be speaking to some elements of that as they pertain to Ontario.

A couple of years ago I was also asked to appear in this role as an expert witness, and in preparation for coming and speaking to you today, I looked back at what I said a couple of years ago, something that economists maybe should never do. I was at least pleased to find that most of the prognostications in that presentation turned out to be pretty true.

We poll our small business members regularly. We have about 40,000 in Ontario and about 97,000 nationally, so we have a good, solid chunk to get feedback from. I have found, of all the data sources that we use, our small business members' views of what they believe is going to happen in the economy and their business are pretty accurate. We often call small businesses the canaries of the economy because they tend to feel downturns fastest. They're not as insulated as our large firms. They also experience positive developments in the economy quickly as well. So we find they're really quite good predictors over time, and that was indeed the case.

It was interesting, too, to look back a couple of years ago and look at what some of the other expert witnesses were saying. John McCallum, the chief economist at the Royal Bank, was one of them. I understand he's going to be here this afternoon. He was waxing eloquent about bank mergers at that time, as you may recall, and obessing about Y2K and all the problems that was going to cause for the economy. So it was interesting to look at that retrospectively and how changed things are today.

In terms of the outline of my presentation today, I'd like to briefly touch on what we believe the impact of some recent past policies in Ontario has been on the small business sector. I'd like to give you a perspective based on our survey data of the current views of Ontario small businesses as to what they believe is going to be happening with the economy and their businesses, look at some future concerns in a number of areas and, finally, address some medium- to longer-term issues that we see.

In terms of past policies, certainly we very strongly advocated, and have for the duration of our existence as an organization, which is almost 30 years now, lowering income taxes and notably the employer health tax in Ontario. Payroll taxes generally, as we have said endlessly before, are very much the bane of small businesses for a number of reasons. Small business is more labour-intensive than larger firms, therefore payroll taxes hit

them harder proportionately. They are also profit-insensitive. Naturally, in rougher times when firms aren't making money, these taxes really bite. They don't bite as much in good times, because firms are profitable, but nevertheless, they still are a disincentive to increasing employment. As a result, we've focused a lot of our efforts on payroll taxes generally, and here in Ontario the EHT is a notable payroll tax. The elimination of this tax for businesses with payrolls of less than \$400,000, which again was something we recommended for years and years and which was implemented a few years ago by the current government, was definitely a winner. The feedback we had from our members was that this was very much an inducement to hire and a positive development in terms of income tax reduction. As it hits the consumer positively, that naturally also affects the business sector via consumer spending.

However, as we know, we did see overall federal income taxes increase, largely because of phenomena such as bracket creep. The fact that tax brackets and the basic personal exemption are not indexed to inflation has added billions and billions to federal tax coffers over the last few years and certainly, to some extent, offset the benefit of income tax reductions in Ontario.

1010

Given that these policy changes coincided with a pretty strong and enduring period of economic growth, it was a happy coincidence because we did see extremely robust job creation in Ontario over the last few years, and we see it continuing. Naturally a lot of events contributed to that, but we believe the policy mix was very timely when we saw the economic growth. Of course governments typically don't cause recoveries or recessions, but they can make a recession worse or they can make a period of economic growth better by their policies.

Outside the tax area, we also saw a number of other legislative and regulatory changes—I'm not by any means trying to be exhaustive here, but some of the key ones. Changes to the Labour Relations Act were positive. We still see quite a bit more that needs to be done there, and we believe there is the intention to do that. We still have an imbalanced environment in Ontario with respect to issues such as successor rights. We still see employers very much hobbled in certain respects. Again, that is another disincentive to expanding or growing their business, as has been cited many times by our members.

Red tape is again another bane of small business, and the ongoing red tape review has been very positively received as well, although much remains to be done. General fiscal restraint is also a positive development, and some tax relief on the capital tax and corporate tax front has also been welcome.

The key tax area that remains a huge, looming problem is property tax. I know Judith is going to talk about that exhaustively in a couple of weeks. You might have seen that we released a report yesterday in Ontario that was aimed at municipalities. We compared key municipalities across the province and how our members believed they were or were not welcoming to businesses.

The average rating was quite dismal, although naturally some were better than others. We still see immense inequities in the residential property tax burden versus the business tax burden, for which there is no justification on any business or economic basis, but there is on a political basis, which of course is why it's there in the first place.

In terms of the current views of our members, we conduct a survey of our members every fall, usually around November, to ask them their views in terms of their expansion or contraction intentions, their hiring intentions and investment intentions for the coming year. In our last survey, done late last year, we were pleased to see that our members were the most optimistic they have been since the peak of the previous business cycle, which was 1989.

Getting into some of the more specific results—and this is an index of business expectations of our members. Since 1988—it was based at 188 and, as you can see, it has surpassed its pre-recession peak fairly recently. So our members generally are quite upbeat about their expectations. These are Ontario-specific data, by the way. For the sake of reference, the national data are contained in the other report that is in the folder.

We ask firms what they expect for the economy and what they expect for their own business. Here, as you can see, almost 60% cumulatively believe that their own business will be much stronger or stronger in 2000 than in 1999. Of course, 1999 was a pretty good year, and so it's worth keeping these things in mind relatively. Almost 40% feel it will be roughly the same. Very few see weaker fortunes for their own business in 2000. So, obviously, there are extremely positive findings here that should bode well generally for the Ontario economy.

Just aggregating this by industry sector, we see the manufacturing sector especially strong and business services next. This has been the trend for a few years, so this isn't different from anything we've seen for a number of years. As you can see, going down, the weakest sectors are construction and agriculture. But generally speaking, overall there's a pretty positive forecast in all sectors, with some relative differences, as you can see.

We also broke this out for some Ontario regions. Again, the Toronto-central Ontario part of the province was most optimistic, with the north the least optimistic—not shocking, I guess, seeing what's happening. Nevertheless, we're still seeing more than half of the northern Ontario economy believing that they will see a stronger business performance in 2000 and roughly another 40% saying the same. So it's just relative differences, not that any one part of the province believes that things are going to be worse by any stretch in the year 2000.

We also ask what our members think they are going to be doing in job creation. Here we have all the provinces across the country. As you can see, Ontario is in second place, behind Alberta, in terms of its expectations for job creation. Again, we found these predictions on the part of our members have been pretty accurate over the years, so we believe we will be seeing another year of strong job creation. This is in full-time equivalents, by the way. We

already have seen, over the past couple of years, a strong trend towards the conversion of part-time jobs into full-time jobs, which is typical in any economic growth period. In the first couple of years of a recovery, firms have a higher tendency to hire part-time, not surprisingly. Once they see the recovery establish itself and they have confidence that they won't have to lay people off or downsize, then they convert those into full-time jobs. So again, we're seeing that trend continue very strongly.

Something else we always ask the members is what factors they believe would encourage them to boost their own job creation plans above what they are currently thinking. Again, these are consistent results in terms of their ranking. Number one, increase in customer demand, is simply a proxy for a growing economy. Naturally, a growing economy is always a precursor to expanding employment in your business. Payroll taxes come in as a strong number two. Although we have seen in Ontario some lowering of the EHT, we still see things like workers' compensation premiums creating huge grief, for some sectors more than others. Although we see some reductions on an average basis, some individual sectors are still seeing significant increases in workers' compensation premiums. Other taxes are number three on the hit list, and we go down from there in terms of reduction in the firm's debts, access to credit issues and so on.

Overall, these numbers provide us with quite a good picture. However, I think we shouldn't feel all is great and that we can all rest on our laurels.

What's very interesting about this period of economic growth, which has been strong and quite lasting relative to other periods, is that there seems to be, certainly in our membership and even in the general public in terms of public opinion polls we've seen, this underlying malaise that things are pretty good now but there's a lot of concern over the future. I think this is caused by things like prevailing high public debt levels. Provincially we're still carrying a whacking big debt here in Ontario. Federally we have an immense debt. We've seen very little movement in any of these factors over time.

I think the pace of change in our environment is definitely a factor affecting business and affecting everybody. Technology is just barreling ahead, everyone seemingly grasping to keep up. I think, to varying degrees in different jurisdictions, there is still a sense of governments not getting it with respect to small business. Although positive changes have been made, in some places more than others, there still is an overwhelming feeling that it's an uphill battle to have a successful small business.

We hear more and more from business members—and this is anecdotal, so it's not scientific and it's hard to measure this kind of thing because it is subjective. But we have never before in our time heard this level of underlying malaise in a period of the kind of strong economic growth we're seeing now. We hear more and more the sentiment from our members: "Yes, I'm doing well right now, but I'm not really making a lot of money. I'm getting by, I'm expanding, but not a lot is going to the

bottom line. I worry about my future personally. Our policies in our country do not really permit me to save enough for my own retirement, to make me feel a comfort level." There's worry about everything from the Canada pension plan and so on. I just cite that as something that we're trying to get a handle on.

1020

There was a public opinion poll that came out late last year, you might recall, that stated the same thing, that people felt that yes, they're employed right now so they're generally OK, but they had an overwhelming concern about the future. I don't think this is something any of us should ignore in our respective capacities.

In terms of some future concerns—tax issues, which are always the key preoccupation of our members, from a business standpoint anyway. GST-PST harmonization: We've certainly been accused of beating this drum many a time, and we're continuing to beat it. It hasn't gone away but continues to crop up unsolicited on surveys we do with our members. As you know, we sought harmonization of the GST-PST in three Atlantic provinces a couple of years back now. We were waiting for the fall-out to be negative; it hasn't been. Granted, how you do it is hugely important. I know many Ontario officials, including the finance minister, have said they don't want to increase taxes on Ontario consumers or any part of the Ontario constituency. That doesn't have to happen.

Every jurisdiction has the freedom to set a blended tax rate where they choose to set it. The notion that it has to increase taxes isn't true. How it's done is hugely important. Here in Ontario we have a large tax base, much more so than those Atlantic provinces that harmonized successfully. It's an ongoing irritant to our members to have to administer two different tax systems, so I'll just put that one back on the table yet again.

In the last budget, a business tax review was promised. We're wondering where it is, because we haven't seen any follow-up or mention. We welcome it. We think a comprehensive review of the whole series of taxation issues for business is a good idea. The federal government has been making noises about it as well for a while and they came out with that Mintz report, as you know, a couple of years ago. Anyway, we would like to see that move forward and would of course be delighted to provide as much help and information as we can to that from the small business side.

I mentioned property tax earlier. It's a looming problem because, when the caps come off relatively imminently, we're back at square one. This is a very challenging issue. Successive governments have backed off taking it on because of the huge politics and complications involved. Nevertheless, although some of the property tax issues have been dealt with from the small business side, a lot of the serious ones are yet to be dealt with.

Payroll taxes, as I mentioned earlier, continue to be an irritant here in Ontario. If we just look Ontario-specific, yes, the EHT was very welcome. Workers' comp is still a problem for many business sectors. At the federal level

we've seen some reductions in EI, but still nowhere near as much as we need to see. We're still seeing accumulated surpluses around \$5 billion to \$6 billion in the EI fund on an annual basis, and the cumulative surplus must be around \$26 billion right about now, so obviously way more than is ever necessary to counteract an economic turnaround. Naturally, it's just being grabbed for whatever purposes seem to be appropriate at the time by the federal government.

The other federal payroll tax, CPP, naturally is going up on an annual basis, as we know, for the next couple of years and has been for the past couple of years. Even though this is viewed as a federal tax, all of the provinces agreed to these increases. We don't let the provinces off the hook when it comes to what has happened with the Canada pension plan over the years. These kinds of large increases, it must be said, were necessitated by the fact that this plan was grossly mismanaged for so long by successive provincial and federal governments which never bothered setting up a proper pension plan.

So-called "pay as you go" was laughable because it basically meant governments spent any monies that should have been invested in a fund for future claims. For governments to pretend now that they're surprised that this big bunch of baby boomers is going to be retiring sometime in the next 10 to 20 to 30 years is laughable. Everybody has known that. Demographers were saying that back in the 1960s. Obviously we need to fix that.

The worrisome part as well is not just that we're imposing this higher payroll tax burden year after year from the federal standpoint, but also that recently there have been concerns coming up from the actuarial community that even with those significant increases, which amounted to a doubling of CPP premiums over about a five-year period, the plan could be in big trouble. So there's something where provinces and the feds are both very integrally involved and need to focus on that, obviously, in the next little while.

The issue of effectively decoupling provincial personal income tax systems from the federal system—Quebec has done this for years, as they've done in so many areas, and now it's being not only discussed but planned by a number of provincial governments, Alberta and Ontario being two notable examples—the way this current system works, as everybody knows, is that federal taxes increase via bracket creep or whatever we want to call it and provincial taxes naturally go up as well, as they're based on the federal portion.

Decoupling this system is not a bad idea, the caveat being, with a government that has the right responsible tax policies, that it's sensible to decouple the system so that they can have more control. If we had a government that wanted to see maybe more tax brackets or increases overall in the tax system etc, then I guess we'd be considerably more concerned. When we make these policy changes, we make them in a certain environment, and right now we know the intention of this government is to decouple the income tax system so that they can pursue a lower income tax strategy in Ontario. We might not be

quite as sanguine if we had governments with the opposite intentions in power. So although, like I said, we don't have a problem with the theory, in practice it could manifest itself in a very different way—something to keep an eye on.

Finally, the whole issue of fees levied on businesses, and individuals, for that matter, is proceeding apace. The fact of governments being strapped for cash generally over the last number of years has meant that a lot of emphasis has been placed on levying fees, as we've said before. True fee for service we've never minded, but we've noticed that when fees go up, nothing else seems to go down. So it's definitely not an offset; it's an incremental level of revenue collection. Fee reviews are very difficult to do because they're a lot of work, it's a micro type of analysis that has to be done, and governments can get discouraged because they're not those big headline-grabbing issues that some other things may be. Nevertheless we feel, from a fairness standpoint, transparency and also from a good business standpoint, that increasing that level of fees is really just increasing taxes by another name and should not be pursued and will have negative effects on the economy overall.

The whole financing area is an ongoing challenge after we saw a few years of improvement in the availability of financing. That's something we track over time with our members, so we have a very good time series over 20-odd years now. Just from 1991, we see this problem increasing notably. It peaked back in probably the worst of some of the recessionary periods there in the early 1990s. We tend to see availability-of-financing problems sort of lag a business cycle right at the beginning of a recession. They won't click in for a little while and then they tend to creep up as the recession continues. That's what we see with these data. They went down again, as you can see, for a few years when our economic growth was a little stronger in 1995, 1996 and 1997.

In the last couple of years we've seen an increase again, and this is pretty worrisome, because we've had a pretty good economy over the last couple of years. Why is this happening? We believe there are a number of reasons for this: The trend in the financial sector generally towards consolidation is happening in a number of ways. Technology is driving some of it; it's not necessarily a policy choice. We see much more automation in lending processes, much more decision-making being taken away from the local branch manager, from the local presence.

This might be good for some sectors. I think it's not a bad thing for mortgage lending, for example, which is very formulaic. You can plug three numbers into an equation and spew out, "Yes, that's a good loan; no, this is not." It's much harder to do with small business, with, as the bankers themselves say, the three Cs, so called: credit, collateral, character. Character is very tough to measure—the character of the business owner, in other words, the likelihood that they will pay their bills—when you're in Toronto and the borrower is in Timmins or somewhere else.

1030

We have found this centralization of the whole financing sector to be very negative for small businesses. Of course, we saw just this week yet another merger, the final trust company bite the dust: the Canada Trust takeover by TD. This is a big issue for Ontario. Canada Trust has a much larger presence in this province than it does anywhere else in the country and often was the only other player in some communities, so we see this being a notable issue for Ontario. We also wonder how it will predict the possibility of future bank mergers. We're hearing rumours that not necessarily in the next month or two but probably a year or two down the road we're going to see further big-bank-to-big-bank mergers proposed. We've heard the receptiveness in Ottawa has changed for this. It hasn't changed in the small business sector. We still think that without viable competition, which we still do not have—not just in Ontario but elsewhere in the country, but notably here in Ontario—there's a big problem with pursuing further consolidation in the big banks.

I guess, too, if we see concerns increasing now, when the economy is still very good, what are we going to see when the economy slows? In the last recession, bankers have admitted to us—and again this was particular to Ontario—that there was a very knee-jerk, negative response, where a lot of businesses that were, granted, having some rough times but were not in danger of going out of business were nevertheless cut off credit and forced out of business, as a result, by bankers who overreacted to negative economic circumstances. So I think we really should be worried about this issue, unfortunately, once again, and the solution, to our mind, is to try to promote alternatives. That's not easy—I'm not trying to pretend this is something that can happen quickly or easily—but right now we have a legislative environment that does not encourage that in many respects.

The whole question of equity, not simply debt, has to be focused on. Our tax system, which continues to take a lot of earnings away from small businesses, and others for that matter, deters the building up of equity in the small business sector. Many of our members feel that they still haven't recovered their equity levels that they had before the 1990s recession, and that's very worrisome, again down the road, for a period of economic slowdown. Of course bankers will look at that and say, "Your equity isn't strong enough; I can't grant you any debt," and that exacerbates the problem.

We've been focusing very much on the need for tax incentives which will free up some equity at low levels. Venture capitalists do nothing for our members, or for a very small segment of our members. We see huge tax benefits being given to these labour-sponsored venture capital funds, which can't seem to even spend the money that they're given, and we have oppose those for the duration. We find them outrageous and a misuse of taxpayers' money. We feel some loosening up—and this is more of a federal issue when we look at things like RRSPs, but things could be done at the provincial level as well to promote people to invest the smaller amounts

of money—typically \$30,000, \$40,000, \$50,000, not big bucks involved here—that are needed in an equity position in small businesses.

Some other future concerns: The general direction of government policy deserves a couple of comments. We've seen a lot of events at the federal level lately: misuse of employment insurance monies, notably in this transitional jobs fund, which was predictable years ago and I guess finally made public recently; something we term "second-term syndrome"—the current Ontario government is also in its second term. Governments over time get more distant from their constituents. They tend to have much more affinity for big spending policies, more interventionist policies, whatever their partisan affiliation. We don't find there's an absence of so-called second-term syndrome in any one party, say, versus another.

We bring these issues to light for the Ontario government, for example, to start getting back into a highly interventionist approach. We look at things like the SuperBuild fund. Our members are very supportive of so-called real infrastructure. We definitely need some infrastructure investment; nobody would question that for a second. But let's confine it to real infrastructure and not some of the strange infrastructure spending we saw prior to the last election, which went into a lot of questionable recreation facilities and all manner of things that really could not be termed infrastructure and was politically oriented spending, not economically based spending.

I think, too, that we need to really take this opportunity of continued growth, which happily we seem to be going to enjoy for at least the next couple of years or so, to consolidate some of the gains we have made—whether in government finances, in the economy generally, getting rid of deficits, starting to work on public debt—because we will see another slowdown. We all like to think we have banished the business cycle, but I don't think we have yet.

When we look at things like corporate profitability right now—and of course there are notable examples; we see the Nortels, the banks etc in the headlines—overall profitability in the corporate sector is down considerably from the last business cycle. It's down for a lot of different reasons. The competitive climate is way more intense now than it was even a decade ago, and it's probably going to get more so.

From the small business standpoint, we have a tax system in Canada that over the last 15 to 20 years has increasingly relied on the profit-insensitive taxes—property taxes, as I mentioned earlier, payroll taxes, capital taxes and so on. The more we lay these taxes on the corporate community, and notably the small business community, the more we will decrease profitability, reduce the ability to add to equity and weaken the corporate sector generally. Small business profits—some recent data has come out of StatsCan—nationally are consistently lower than large corporate profitability, and the tax system and the way it falls more heavily on small firms is a key reason for this.

We've heard some musings about our productivity challenges. A lot of this has been focussed at the federal level, but I don't think the provinces can afford to ignore it either. Our standard of living, as we know, has at best been flat over the last decade or so. The tax environment, the lack of productivity gains, is the main reason for that. Finally, we see an emerging focus on a large corporate agenda. We don't necessarily have a problem with this, but all we would say is: Do not focus on the large corporate agenda to the exclusion of the small business agenda. There are elements in common and then there are elements that are different.

I have talked more than enough. I welcome any comments you have at this time.

The Chair: On behalf of the committee, thank you very much for your presentation. We have approximately seven minutes for each caucus, and I'll start with the official opposition. Mr Kwinter.

Mr Monte Kwinter (York Centre): Catherine, as I mentioned to you just before we started, I just got back from the World Economic Forum in Davos last night, and the theme that dominated that meeting was the new economy and e-commerce. When you listened to what was being discussed, there is really going to be a total revolution in how small and large businesses actually function.

I notice there's no mention at all of that. From your perspective of small business, should we as a government be doing something to prepare these people for this economy? Is something being done? Is there something that should be done by your organization? How do you see that playing out over the next couple of years?

Ms Swift: I agree completely, and I didn't not mention it because it wasn't important. There were probably a lot of things I didn't mention that I could have. You just need to make these things three hours long, that's what you need to do, and really torture ourselves.

As an organization, we have been promoting with our members for quite some time. A number of years ago, it was: "Get hooked into the Internet. Understand what it means for your business." We have a segment of our Web site, which we have had operating for a couple of years, which is constantly changing and which offers online education courses to our members. A number of them focus on e-commerce issues: why you as a business need to think about it, what you need to do, advice to facilitate, links to help people and so on. So, we as an organization agree it is an ongoing challenge. I believe governments also can take a role and promote. It's partly an education process and it's partly a facilitation process.

Right now there are a lot of questions about how the e-commerce environment is going to evolve. A small firm, unless it's hooked up—and many are now, of course, as suppliers or somehow linked in—with a larger firm, is not likely to make the investment to put an e-commerce platform unique to them on their Web site, for example.

1040

It seems that we're probably going to be moving towards a utility type of environment that smaller firms can

access, not unlike the telecommunications system or whatever. Nobody is going to set up with their own phone system; they're going to pay to hook into an existing phone system or e-commerce system, or whatever. Of course, that's all evolving right now, and there's a lot of pushing and pulling as to who is going to be the standard and who is going to provide these types of infrastructure, I guess you could say, for e-commerce. That being said, I do see a role for government. I see a role for organizations like ours and so on in the education and facilitation side and encouraging firms.

There was a recent report that came out of a federal task force on e-commerce and related issues. Governments seem to be happy to focus on the trendy, interesting developments in these areas, but what is holding back our productivity is that we're taxing the pants off these businesses so that they don't have some of the resources they need to devote to some of these new areas.

The US, as we know, is moving ahead in leaps and bounds. A lot of business people have expressed concerns in Canada that we're falling behind, and that we might be falling behind to the extent that it will be hard—some say impossible—to catch up if we don't watch it. I don't like to be that pessimistic. I don't think it's true. I think we have to keep in perspective that Canada is also ahead of a lot of the rest of the world. However, that big neighbour to the south does tend to direct a lot of what we do in Canada so we do have to keep up to date.

In addition to government's role in education, promoting and encouraging the development of e-commerce, I would also like to see them focus on the policy infrastructure. Let's get the tax mix right. Why are capital gains in Canada taxed at twice the US rate, and the US is talking about lowering theirs yet further? Again, that's not a provincial issue exclusively, but provinces could levy some strong support with the federal government for reductions in some of these tax areas. That would definitely be a more favourable business climate and would free up businesses and resources to be able to devote more to some of these areas that you're talking about.

Mr Gerry Phillips (Scarborough-Agincourt): I appreciate, as always, your presentation. The concern that many of us have is, will we be able to sustain the essential services in the environment of—without question, tax cuts are the in thing. It's very difficult, as a politician, to even raise a cautionary note.

Do your members give you any indication of concerns on the delivery of health care, of education, of municipal services? What advice would they give us? Should we be looking at further cuts? Or are you getting any concern by your members that maybe the things that distinguish Canada are at risk?

Ms Swift: There certainly is. Our members are very reflective of your average Canadian, we've noted in a lot of our polls. We compare them to a public opinion poll and on many issues they're virtually interchangeable. In the most recent survey we've done, which is included in that federal pre-budget that I put in the package, on priority areas for cutbacks versus spending and so on, the

only area in which our members see any justification for spending increases is health care.

We're not experts in health care and don't purport to be for a minute, but we've certainly been looking at it a lot more lately than we've ever looked at it in the past, because it is such a huge area of expenditure, and we know it's going to be more and more important in the future to everybody, no matter what venue they're coming from.

We spend a lot already in this province and in this country, relative to other systems around the world, and we certainly don't seem to be getting value, and there are a lot of reasons for that. I do think some of the policy initiatives—the federal government is at least trying to get some good and consistent data on a national basis. That's something we need. We've never had that.

While our members have expressed their view that they believe the only area that warrants more spending is health care, they also know a lot is already being spent there and a lot of it isn't being spent terribly well, so throwing money at it is not the only route to follow. But yes, they are concerned.

In the education area, that has become so politicized it's almost difficult to have any kind of sensible position on the whole spending area. We've seen, as you know, study after study showing that resources are not going to the classroom *per se* in anywhere near the same proportion as they were 25 to 30 years ago. The whole unionized environment has radically polarized that environment. My kids come home with union propaganda. I get pretty ticked off, I have to tell you. That's what happened through that whole period of strife there.

That being said, I think there's a lot of constructive work. Despite all that turmoil, which was very unfortunate for everyone, I think there was a lot of constructive questioning being done by a lot of the education community, as well as others. We're certainly, as an organization, quite active in encouraging businesses—the provincial partnership council is one area we are very active on—to participate even more in co-op programs, for example. Our members are acutely interested in the education system. They are usually parents, so they have that interest anybody would, but also they're interested naturally from a business standpoint. They do notice, and small firms, as you know, are the biggest employer of young people in their first jobs. Anything that can assist the business, and of course, the prospective employee, is something that they are pretty willing to put some time and resources into.

So the answer is yes, there are obviously some serious questions in both of those areas as to how we go about it. The money solution is only part of it. I think they see some things starting to improve in the education system, generally, but we're still a long way from seeing the kind of co-operation we need among all the different stakeholders, business included.

The Chair: With that, I have to go to Mr Christopher-son.

Mr Christopherson: Thank you, Catherine. Good to see you again. Obviously, I want to talk a bit about the issue of taxes and explore the other side of what happens when there are tax cuts. I agree with Gerry that it's not always the most popular ground, but there are two very clear ideologies on how to approach this.

When it comes to small business, I know one of the first things that I heard—I represent the inner city of Hamilton—from a lot of small business, neighbourhood stores, neighbourhood service companies, was that, for instance, the cut that was made to people on social assistance affected corner stores in many neighbourhoods in a dramatic way, because that was a good chunk of whatever disposable income a family in poverty had. The stores were feeling it, big time, and didn't see that the macro-politics that the current Premier was talking about was a good trade-off for them.

In addition, you mentioned user fees. I spent five years on Hamilton city council before coming here. I would think that a lot of the user fee issue would be what happens when small business goes to city hall. They would interact there more than the average citizen as a rule. I can assure you that the transfer cuts that were made to municipalities have resulted in a lot of user fee increases, introduction of user fees that didn't exist before, and when I was on council it was still the philosophy that you generated enough money to provide an administration that provided efficient service to all the citizens, so that one business that was maybe more profitable at a given time than another didn't have an edge in terms of dealing with their own government because they had the means to pay for these costs.

That world is gone and you can lay that problem right at the feet of the provincial government in cutting transfer payments, in cutting social service costs and other things in the interest of giving a tax cut—the infamous 30% tax cut. How do you square that in terms of your concerns—quite legitimate; I understand them and I can assure you that any councillor I know is concerned about them too—what those user fees mean and the fact that whole problem is exacerbated by the notion of having to cut provincial income tax and therefore provincial transfer payments in the interest of making the provincial bottom line look good, which this government has been very successful at. But if you take a look at municipal government, for instance, and what's happening there and the amount of problems, pressure, increased costs, cuts in services that they've had to make, through no decision of their own, it really does provide a different point of view as to what all this means. I don't personally see where the small business in my community has benefited from this trade-off. Can you give me your thoughts on that please?

1050

Ms Swift: Sure. Certainly any change, whatever it may be, has its detractors. As you know, all of our policy positions are based on feedback from our members in Hamilton as well as elsewhere. I'm sure there is a minority and, like you say, if there's a convenience store in an

area that happens to have a certain average income level or whatever, I am sure they would notice the difference. I don't doubt that for a moment. Nevertheless, the overwhelming majority of our members in Hamilton and elsewhere are supportive of these tax cut policies.

I guess, to look at the converse, we saw welfare increased by numerous governments. No particular group was more gung-ho than others. That orientation on the part of a number of governments over the years seemed to, in good times and in bad, just produce more people on welfare. In terms of that being an enduring strategy, I can't see that it is.

I think we have a lot of problems. Our members are crying for people to work for them right now. There's a huge shortage of labour right now with an unemployment rate, nationally, of 6.7% or something or other? In Ontario, it is somewhat lower. I don't think anybody would like to think we can't bring that unemployment rate down further.

I would like to believe we could do a lot more in bringing people into the workforce, maybe into the workforce on a more permanent basis. I'd like to see the focus there. There will always be a need for social assistance—we all know that—and that is something we should be concerned about.

I think right now there's a lot happening on the homeless issue. As we know, it's very complicated. It's not as simple as welfare, or whatever. It's got a huge number of factors, as the Anne Golden task force and whatnot showed. I'm not questioning what you're saying, because I think that's true, but we do some pretty comprehensive surveying. We can disaggregate it by postal code if we really want to and we still find overwhelming support overall for these policies because we believe, in the long run, they will be the ones that will keep people most prosperous on an ongoing basis and not in a dependence cycle that we've seen so starkly demonstrated in some parts of the country, Atlantic Canada being a notable example, where they have not much of a real economy there any more because that dependency cycle is so terribly well established.

The second part of your question was—

Mr Christopherson: Municipal user fees.

Ms Swift: More the municipal side. I guess the problem with municipalities was they couldn't pass the buck anywhere. The feds passed the buck off to the provinces, the provinces passed the buck off to the municipal level and they don't have anybody to pass the buck to and it has to stop there, which is unfortunate.

Our members do feel it at the municipal level, but by the way, user fees have been happening everywhere. There's no level of government that has been without sin on the user fee front. It hasn't been exclusively municipal by any stretch of the imagination.

If we had to name one area where the most botches happened over the last few years, it was that whole municipal restructuring area in Ontario. Everybody played a role and nobody should be particularly proud of what happened, including municipalities. We saw some of the

upload-download scenarios where some municipalities—it was different for different municipalities—actually ended up with more money. I don't even know if they knew it sometimes because it was such a complicated mess and there was a lot of misinformation flying around, as you probably know. Again, I don't think we would necessarily put the blame—we'd put the blame on everybody, not any one level of government. We've seen some pretty reprehensible behaviour from a spending side and fiscal responsibility side on the part of municipalities too.

We still see municipal employees, for example, paid on average—I think some of the worst discrepancies are at the municipal level relative to the private sector, just to give you an example. Aren't they, Judith? You're probably closer to this than I am. We still feel that shouldn't be terribly out of whack. That should be roughly in sync. A comparable job in the private sector versus the public sector should be roughly in sync. That's just one example of many. I don't know if you want to say anything, Judith?

Ms Judith Andrew: I just happen to have it here. I'm taking Hamilton by example. The public-private sector gap for municipal employees in Hamilton as of last census date—and updates suggest that things wouldn't have changed that much—is 16%, so the public sector workers have a 16% advantage before you add in other benefits such as pensions and so forth.

As Catherine was saying, I think some of what went on with the upload and download and the calls on both sides is still very unclear, but we've been told, and municipalities will deny this, that really no municipality is out money in that exchange of services and costs. Then we hear rumours that some municipalities have been squirreling away money in certain other accounts and so forth.

There is so much lack of clarity in this area it almost calls for some forensic accounting. But what Catherine was saying about our members expecting their governments to work together on these kinds of things rather than engaging in finger pointing—there's been far too much finger pointing on both sides of the fence. We really need to get to the bottom of the financial arrangements between the two levels of government and then have that play out in a fair and even-handed property tax system and a fee regime.

The Chair: With that I have to go to the government side because we've exhausted the time.

Mr Doug Galt (Northumberland): Thanks for an excellent presentation. I just wish you had another hour because I have a pile of questions I'd like to ask.

Interjection.

Mr Galt: You may get a turn.

Just a couple of comments, one on user fees. I hear so much emotionalism about user fees. I've yet to have an increase in user fees that I've paid, and anybody that I've asked, including Mr Arnott here this morning, has not had an increase in user fees to pay. I'm not sure where all that emotionalism is coming from. Just a clarification on small business "crying for people to work." I think that's

what I heard you say. I hear it regularly in the riding. I'm sure the opposition would appreciate knowing that out there because those people are crying for people to come forward and give an honest day's work.

The question I really have for you relates to the federal government and what you're doing with the federal government to get them onside. We have proven that tax cuts create jobs, tax cuts increase the revenue. The opposition said our tax cuts would cost \$5 million when in fact we've increased it by \$10 billion a year. That was a \$15-billion mistake, which is factual. It's in Hansard.

My question really is about the federal government. If they'd just go onside with tax cuts, imagine what it would do to the economy of this country. We'd just become a whirlwind. What are you people doing to get the federal government onside to have some tax cuts?

Ms Swift: We're constantly in the media on this very issue and have been for a very long time. It's kind of interesting that small business was called kind of the lunatic fringe, right-wing loonies, back around 15 years ago when we were saying exactly what you're saying now. Now we seem to be kind of mainstream. I don't know whether that means everybody's loony now or whether we were never loony in the first place.

Interjection.

Ms Swift: The loonies have taken over the asylum; maybe that's it.

We survey our members incessantly, as you know, and that's how we form our positions on issues, and tax has been number one forever. The particular tax may change. At one point it's GST, at another point it's EHT, at another point it's income tax, capital gains, whatever, but tax is number one.

In high tax jurisdictions, which we are—and we're cumulatively increasing our tax level. There are a lot of examples of lowering taxes. The feds have substantially increased their tax level since 1993, since this government came into power, and it's documented all over the place. It's a fact. They wiped out their deficit. We favoured the approach your government took, which was a measured tax reduction and deficit reduction. The feds eliminated the deficit very quickly by taxing us all in a major way, as you know. Now they're awash in cash, so much so that they can give it out without accounting for it, as we know.

Mind you, it must also be said that if we hadn't had the economic period we did, you wouldn't be looking at eliminating your deficit next year. That's something nobody can control. Happily, in hindsight, it's worked out well. You will eliminate your deficit and we believe the tax cuts have been one factor that has helped in that.

Mr Galt: This tremendous boost in the economy of Ontario is probably why the federal government has been able to balance their budget.

1100

Ms Swift: No question. When you look at the revenue, there's no doubt that a lot of it is coming from Ontario. It's 40-odd-percent of the national economy, so how could it not? We feel, though, just as a concluding

comment, that confidence is hugely important. We know that consumer confidence and business confidence are important—creating a climate of confidence and making people feel that entrepreneurial initiatives are rewarded, not punished. A lot of our members in Ontario and elsewhere still feel, on balance, that they have put in a lot of sweat and their own equity and money, and put up their own house or whatever, and they still feel they are being hit on the head more often than not. That's where there's a way to go.

Mr John O'Toole (Durham): Just to follow up on your most recent comment, yesterday Minister Eves said that Ontario workers and employers will pay \$560 million more in federal payroll taxes in 2000. That translates into 22,000 jobs. Whenever we hear Mr Martin talking about what progressive steps they are taking to reduce the burden of tax, clearly, whether it's CPP, UI or the personal income side specifically, they have increased taxes. They still don't get it. I'm really seriously—

Ms Swift: They get it. They just have no opposition, and Canadians aren't giving them a clear enough message.

Mr O'Toole: They think it's free. Whether it's user fees—

Ms Swift: They know exactly what they are doing.

Mr O'Toole: Quite honestly there is a certain communication problem with "user fee." Technically, every user is creating a fee for someone. I think the debate is the lack of transparency. If you were to make the fees at the municipal level so onerous that the local business community or the contractors or whoever will get together and find some way of providing some competition for that consulting fee, that licensing fee—that's where it should be. Don't hide it in some bureaucracy so you can't find out who is really charging, because nothing is free.

The idea that we had a society of entitlement is the whole over-arching philosophical problem of making it more clear to the user that it does cost for that visit to the doctor, that consultation with the education community. Whatever the service, it isn't free. We should get it, and we should figure out the priorities of who pays for what. That disentanglement has been going on for two decades. And what it's really about is driving it down to the area where the service is provided. That is the area that should pay for it, whether it's the library or the research centre.

Ms Swift: We have no problem with that principle. It's just that the experience has been that user fees have just been layered on top of everything else. There's no transparency.

Mr O'Toole: I really want to follow up perhaps with Judith. I have met with her a number of times during the transitional period of property tax reform. I agree it's still, if you will, unresolved. I'd like some feedback with respect to: We harmonized the business tax and realty tax, which was an outstanding issue for many years. But we ended up with the short-term solution, the capping of 10, five and five. I'm not sure how we'll get out of that outside of assessment growth itself.

But there is another philosophical argument that is not getting clarity, and that is the shifting or the intended shift from the non-residential side of the assessment base to the residential side. Your ultimate goal is to switch the burden of municipal tax from the commercial residential side more progressively. You know how they do the percentage, the ratio between the commercial side and the residential side? You want to shrink that gap, because they really don't consume the services. If people in business use the library, they pay for that at home, wherever they live. Are you saying to us that you want to reduce the assessment tax burden further on the business side and load more of it on to the residential side? That's the issue in Toronto.

Ms Andrew: No question. Our view is that the business-residential gap is too wide. That fact has allowed a situation where there is no accountability for spending at the local level. That is why Ontario is the property tax capital of the OECD world. We extract more in property—

Mr O'Toole: Do you think any provincial government has the courage to do that, though, to set those ratios?

Ms Andrew: We're looking for a courageous person to step forward and do that, because the way it's playing out in the municipalities, they never will. It's a political accounting of who has the votes, and it's just not going to happen.

The Chair: With that, we would like to thank you, on behalf of the committee, for your presentation.

Ms Swift: Thank you.

1110

UNITED STEELWORKERS OF AMERICA ONTARIO ALTERNATIVE BUDGET WORKING GROUP

The Chair: First of all, sorry for the slight delay, but this is the year 2000 and we do have modern technology, so we have to accommodate it.

The next presenter is the research director for the United Steelworkers. Could you please state your name for the record.

Mr Hugh Mackenzie: My name is Hugh Mackenzie. I'm the research director for the Steelworkers. I'm also co-chair of the Ontario Alternative Budget Working Group.

The Chair: Welcome. You have an hour for your presentation.

Mr Mackenzie: I'm going to try, to the best of my ability, to move through the presentation relatively quickly, because I recognize that much of the value of this comes in the question and answer session. But there are a few things I would like to try and put in front of you as a starting point. I'm going to highlight the issues I'm going to address this morning.

The first is to address the question that has become a constant refrain of people in the government, namely,

that the personal income tax cuts that the Harris government has brought in have been responsible for Ontario's economic performance. I note in the record from yesterday that there was further discussion of that question then.

Secondly, I want to review some information that it's been possible to generate just recently because the federal government has released the 1996 personal income tax data, which allows us to draw some conclusions in more detail about who has benefited from the income tax cuts that have taken effect to date.

Thirdly, I want to talk about the fiscal impact of the income tax cuts.

Finally, I want to address the impact of the reduction in Ontario's fiscal capacity that has been imposed by the income tax cuts on services, and I want to focus particularly on education funding. One could have picked any one of a number of areas of funding. It happens that for my sins I've spent a bit of time thinking about the way the school system is funded, and so I thought I'd spend a bit of time talking about that.

I want to put a slide up that I think really underlines the point as clearly as one possibly could as to what has been the real engine of growth since the Harris government has been elected. What this chart shows is the growth in exports from Ontario as a percentage of total GDP growth using the quarter in which the Harris government was elected in 1995 as the base. What it shows, for example, is that in the third quarter of 1997—I'll pick that as a low point, because it crosses one of the lines—growth in exports since that base year amounted to 60% of all the growth in GDP. This is international exports, not exports in total.

The reason I picked international exports is because that's a much more solid figure than the total exports from Ontario. Obviously reliable data on interprovincial trade aren't calculated from border crossing points, and so I have focused particularly on that. If you drill into those numbers even further, you find that that growth is almost entirely concentrated in exports of goods. In other words, if you look at the export numbers, what they're telling you is that the engine of growth in Ontario is sales of goods, primarily to Americans. I think that's a critically important piece of information.

I noticed from my reading of the discussion that took place yesterday that the committee is being encouraged to ignore the effect of exports on their own and instead to look at the balance between exports and imports. If you were looking at this strictly from the perspective of a balance sheet, that would make sense; if you're looking at it from the perspective of what drives the economy, it doesn't make sense at all. I'll use an analogy of a car, partly because the analogy fits and partly because much of the growth has been in automobile and parts production. If you want to think about the economy as a car, exports would be described as the engine. The growth in imports would really, by analogy, be the rate at which the wheels are spinning. In other words, exports are what are

driving the economy forward and imports grow as the economy grows.

When you look to explain something like the acceleration of growth in the Ontario economy, you have to look around for things that could be seen to have an independent impact on the economy. An economist will tell you that when you're looking around for those independent impacts, the key areas you look for are drivers of the overall competitive position of the economy, like the exchange rate, drivers of the cost of borrowing, drivers of business investment and exports and the net effect of government on the economy. The net effect of government on the economy over the past four or five years has been negative. The net effect of exports has clearly been substantially positive.

I'll finish off this part of my remarks by saying that I can't find any evidence anywhere that would suggest that the decision of somebody in Kansas City to buy a car, which after all is what is driving Ontario's export performance, has anything whatsoever to do with an income tax cut in this province. That's not to say that income taxes don't do anything. We'll see as we go through the presentation that they have substantial effects in a number of areas, but that's not one of them, in my view.

I want to put this chart up just briefly to highlight who has actually benefited from the Ontario tax cuts to date. The red line describes the cumulative share of taxable returns in Ontario, the bottom scale represents income ranges and the scale on the left represents the percentage of returns that's reflected in that number.

I think this is an important reality check for the debate. We read all too often in the newspapers claims like the rather ridiculous claim of the chair of BC Hydro reported in the *Globe and Mail* or the *Star* on Saturday to the effect that it's tough to raise a family in Canada on an income of \$100,000 a year. Let's take a look at what that really means in terms of distribution. At \$100,000 a year, 98.5% of taxpayers have incomes below that number. We're talking about a very rarefied percentage, a very rarefied group in the economy.

So when people talk glibly about an individual making an income of \$70,000 a year as kind of a normal income—and maybe it's a normal income for a member of Parliament; it may even be a normal income for somebody who works as the research director of a trade union—the data tell us that it's not a normal income for 95% of the population; 95% of the population earns less than that. I think it's important to keep that reality check in mind as we're talking about the distributive fairness of these kinds of tax measures.

1120

The dotted line represents the cumulative share of the savings from the Harris tax cut. I'll just give you a little bit of a guide to this by looking at one particular spot. If you look at the bar that's opposite \$45,000, which represents an income range between \$45,000 and \$50,000, if you look to the red line, you can see that 80% of Ontario taxpayers had incomes below that number but people with incomes below that number receive less than 50% of

the benefit from the tax cut. So you can see how the benefits of the tax cut are heavily tilted towards the upper end of the income distribution.

One of the things that I draw some attention to is the paradox that because Ontario introduced its income tax cuts at a time when the budget was in deficit, in effect, to this point every cent that we've provided in income tax cuts in Ontario has been borrowed. That gives rise to something I've talked about in previous appearances before this committee, but I think it's important just to keep reminding people of it. That gives rise to a rather odd phenomenon that I would describe as the tax cut debt. That's the amount of debt this province is incurring or is failing to pay off as a result of having given away a huge amount of fiscal capacity.

You can see that by the end of this term, the debt attributable to the tax cuts that either have taken effect or have been announced to take effect this term will accumulate to about \$70 billion. Even when you factor in the government's promise in its Blueprint to start paying off the debt at the rate of half a billion dollars a year by allocating a contingency fund to paying off the debt, you still end up with a net debt attributable to the tax cuts by the end of this term of office just shy of \$60 billion and a carrying cost for that additional debt of something on the order of \$3.5 billion a year. In other words, we're going to be paying a carrying cost by the end of this government's current term of in excess of \$3 billion a year just to pay the interest on the debt that has been incurred to finance the tax cut.

I want to spend a few minutes bringing this down to the level of fiscal planning and trying to focus the discussion on what this may imply for Ontario's fiscal balances in the next few years, because, obviously, one of the primary roles of this committee is to give the Minister of Finance some advice about his overall fiscal strategy.

I want to note two potential risk factors that face Ontario; one is various proposals for substantial cuts in income taxes at the federal level. Because of the way the income tax system works in Canada at the moment, Ontario's taxes are driven by the federal basic tax base. If you reduce the federal basic tax base and leave Ontario's rates the same, Ontario's tax revenue will go down. Just to put this in perspective, the 20% cut that Premier Harris advocated that the federal government undertake as part of his lobbying effort leading into the next federal budget, due in about three weeks, the implication of that would be a cut in Ontario's revenue of \$3.4 billion, unless Ontario raised its rates to offset the revenue loss driven by the reduction in basic federal tax.

I just note in passing that the flat tax proposal that is favoured by the Premier's friend Tom Long would, if fully implemented, reduce Ontario's revenue base by approximately \$6.1 billion, again unless Ontario were to respond by increasing its own tax rates to offset that revenue loss.

The other risk factor that I think is of particular concern is the potential for a US economic slowdown. We have been riding on the back of what everybody says is

an unprecedented economic boom in the United States. When I say riding on the back of it, I mean that literally and I'll hark back to the comments that I made about exports. It's the US economy that has been driving the growth in the goods export sector in Ontario—period.

We have been operating in Ontario—when I say “we” I mean the provincial government—as if this is going to go on forever. Every time the Minister of Finance looks at projections two and three years in advance—which, I note from yesterday's transcript, he won't share with the committee—and sees a little bit of extra money appearing on the horizon, money that might permit him to accelerate the rate at which the deficit is being reduced and/or start to repair some of the damage that has been done in public services, it gets larded into another tax cut. The result is that we are spending our fiscal flexibility. Our fiscal flexibility in this province is being spent out of existence in the form of tax cuts. It's not quite a Ponzi game but it's close to it. It's like a chain letter: As long as it keeps working it keeps working, but when it stops, boy, it really collapses.

I want to just share with the committee a couple of little simulations that I did to illustrate the impact of these things. The line that's up on the screen now is a projection to the end of the next fiscal year of what would happen if the provincial government were to decide to suspend its tax cut program; in other words, stick with the one that has been implemented so far and stop right now until Ontario's finances are improved, and use the money to repair some of the damage that has been done in the cuts that have taken place in the last little while. As you can see, we end up with a pretty substantial surplus emerging in a couple of years—a great deal of fiscal flexibility.

The second one is a projection I've done that takes the current fiscal situation as it exists, assumes that the government continues to implement the tax cuts that they announced just before the election, as they've laid them out, and differs really only from the projections that the government is currently using by abandoning the 3.7% growth projection for 1999, which is clearly ridiculous. The government continues to base its fiscal projections on the basis of 3.7% growth for the calendar year 1999. We've already had 4.4% growth in the first three quarters of the year, so clearly that's ridiculous.

When you incorporate that, you end up with only a very slight deficit in 1999-2000—and I want to come back to that in a moment—and then a surplus emerging in 2000-01 and 2001-02. These are all assuming that the economy continues to grow at a reasonable rate.

1130

The note I wanted to come back to is that I'm showing here a slight deficit still in the year 1999-2000. That deficit gets wiped out entirely even given some of the financial manipulation that's been done in generating the most recent version of Ontario finances. That number disappears if you assume that the government doesn't spend the remaining contingency fund that's buried in the Management Board of Cabinet numbers for expenditure.

If you take that out, the budget is actually projected to be in a slight surplus in 1999-2000.

The third line I've got here is based on the assumption that a US recession happens in the year 2001, so that a year from now we end up with a recession in the United States which has its corresponding impact in Canada. This is based on Mr. Eves's current estimates for 1999-2000 and then assumes there's a US recession in the year 2001. As you can see, you end up with a persistent deficit of about \$1 billion. In other words, we don't end up with the budget balanced next year or the year after as a result of that recession assumption.

That's not to say that there's going to be a recession in the United States. What it does say, though, is that it just illustrates the importance of the phenomenon of the government spending our fiscal flexibility in the form of tax cuts rather than using it in a prudent way to protect public services and to bring the province's finances into balance.

The last chart I've got here illustrates in one way the extent to which the numbers are being manipulated here. If you take the current estimates for revenue and expenditure for 1999-2000 that were presented to the committee yesterday and project those forward, you end up with the budget not balancing in the year 2000-01, primarily because we're assuming here that the income tax cuts continue to proceed, and we note here that the \$1.6 billion that was in the revenue base for 1999-2000 for the Highway 407 sale isn't available next year.

That gives you a range of the risk factors. As you can see, it's actually quite a substantial range from a very healthy fiscal balance in 2000-01 if the government were to decide to suspend its implementation of the tax cuts at one extreme and at the other extreme a persistent deficit of about \$1 billion if the US economy were to go into recession in the year 2001.

The last thing I want to turn to is I want to spend a few minutes talking about one particular aspect of the impact of the expenditure cuts that have been brought in by the government on the level and quality of public services in Ontario. I'm going to focus on elementary and secondary education.

To start off with, I want to draw attention to a misperception that is being repeated over and over again about the nature of the introduction of the education financing formula. The new education financing formula is being characterized as a revenue-neutral shuffling of resources from large urban boards to small rural boards and separate school boards. While it's true that large urban boards have been hit very hard in terms of forced expenditure reductions as a result of the introduction of the funding formula, and while it's true that particularly rural separate boards have benefited from the introduction of the funding formula, the fact is that when you look at education funding on a real per-student basis, the funding formula actually disguises a cut in education funding overall of about \$700 million in 1999-2000. That substantial funding loss we have seen has, frankly, exacerbated the problems that the large urban boards have

experienced in trying to adjust to the introduction of the funding formula.

I want to put a picture up for you that gives you a bit of a sense of what has happened to per-student funding and how it has been concentrated in various boards.

The dotted blue line represents the cumulative share of total enrolment. What I've done here is that I've taken all the boards in the province and arranged them from the smallest to the largest and then looked at the impact of the funding program on them. You can see the concentration of the impact on the large urban boards.

The blue bars represent the average funding change per student, and you can see that for the smaller boards you're seeing increases in funding typically in the range of \$500 to \$1,000 per student, but in some cases higher than that, and for the larger boards, reductions in funding that vary, again, from relatively small amounts of \$300 or \$400 per student up to relatively large amounts in the case of the Toronto board.

The red line represents accumulation of the changes in total funding. As you can see again, you see increases in funding for the smaller boards, and then as soon as you get to the relatively larger boards, you see fairly dramatic reductions in total funding allocation. The question really becomes, is it defensible that you have these very large reductions in funding for the large urban boards?

I want to focus on a number of elements of the education funding formula, just to highlight some of the difficulties that have been created.

First of all—and these are not in any particular order—the funding formula, because of the way it's structured, actually does not permit many of the school boards to pay even the amount of money they're contractually committed to pay to teachers and other staff that the funding formula permits them and requires them to have in order to maintain instruction in the classroom. The reason for that is because the funding is based on a reference salary grid which is not the same as the salary grid for any board. It represents what the ministry calls a representative average grid. The result of it is that boards that have different grids or different demographic characteristics of their teachers—more older teachers, more teachers with higher qualifications—actually find that even with the teacher compensation adjustment in the funding formula, they're not able to afford to pay the teachers whom they're required to have under the funding formula the amounts of money they're required to pay under their contractual commitments. I'll note that the Education Improvement Commission identified that as one of the weaknesses of the funding formula.

1140

The second issue I want to focus on is special education. The government claims, as recently as last week, that the funding formula has resulted in a substantial increase in the amount of funding that's available for special education in the province. The fact is, though, that the expert panel that was created by the government before the funding formula was introduced to make recommendations to it about the funding formula did an

analysis and discovered that school boards were spending anywhere from 23% to 85% more than the government had earmarked for special education under the previous funding formula. Depending on whether you take the low number of 23% or the high number of 85% higher, you end up with a base number for 1997 of between \$1.056 billion at the low end and \$1.560 billion at the top end. If you take some sort of median between those, what I think you'd find when you look at the numbers is that the current funding allocation, even topped up as it was last week by the minister, still will probably fall short of what the boards were actually spending in the last year before the funding formula took effect in 1997. The EIC indicated in its report last week that even at this higher level of funding, higher than the government was officially providing in 1997, boards are spending money on special education that they have had to reallocate from other areas because the funding isn't adequate.

The learning opportunities grant, for those of you who aren't deeply enmeshed in the intricacies of education finance, is a component of the funding formula that is designed to address additional costs incurred by boards because of demographic and other characteristics of their students. This grant was also the subject of an expert panel report. It was chaired by Enid Slack, an economist who is an expert in this area. The expert panel actually went to the extent of including in its recommendations a recommendation for a level of funding, based on 1997 numbers, of \$400 million a year. That's what they considered to be a basic minimum level of funding that was needed in order to achieve the objectives of the learning opportunities grant. This is the grant that compensates for the extra costs associated with having high rates of poverty among students, high rates of turnover, inadequate housing and various other things like that.

The actual funding that was committed under the learning opportunities grant was \$185 million. I'd note for comparison that in 1996, the Toronto board estimated that it alone was spending \$175 million on what the Toronto board called compensatory education, which is captured by the learning opportunities grant. Not surprisingly, given the fact that the government's own expert panel highlighted this as a potential problem even before the funding formula came into effect, the EIC has identified that as a shortcoming of the existing funding formula.

The last thing I want to focus on is the question of English and French as a second language. The funding formula is extremely restrictive in this regard. It does provide additional funding for English-as-a-second-language instruction but it is strictly limited to children who have been in Canada, having emigrated within the last three years from a country whose first language is not English. So it's an extremely restrictive allocation and it's a funding allocation that diminishes with each year that the child is in Canada. I haven't encountered anybody expert in the teaching of young children who come to Canada without any ability in English who considers this to be adequate. Again, the Education Im-

provement Commission has fingered this as another inadequacy of the funding formula.

I'm going to pass over the next two charts and just review what the Education Improvement Commission has identified as problems with the funding formula. The Education Improvement Commission, while hardly a vociferous critic of the government in the work that it's done, has in fact identified weaknesses in the funding formula in the following areas: teacher compensation; special education; pupil accommodation, even with the top-up provisions; and English and French as a second language.

They've made recommendations suggesting that the funding formula is inadequate in the way that it deals with in-school administration in small schools, remote-area school administration, the funding of transportation of pupils, the learning opportunities grant, as I've highlighted, and the last one, which I want to spend just a couple of seconds talking about, the funding for social services delivered by school boards. This is one of the interesting recommendations or concerns that was raised by the EIC in its most recent report. There's an interesting element to this that I want to put on the table for the committee.

The implication of the analysis of the Education Improvement Commission is that one of the reasons why some of the large, urban boards are in financial difficulty as they confront the exigencies of the funding formula is because those school boards have been providing services that in other areas are provided by municipalities or by another level of government. They are saying there are immigrant adjustment services, psychological services, social services of various kinds that have been delivered traditionally through boards like the Toronto board and the Windsor board and the Toronto catholic school board that really don't fit within the four walls created by the funding formula and that this is an issue that ought to be addressed.

The point that occurred to me as I was reading this, finally acknowledging that there were broader services that were indirectly relevant to education that weren't covered by the funding formula, is that if it's true that these are services that really ought to be provided by municipalities, then presumably the province ought to give the tax base that funded those services in the first place back to the municipalities so they can provide them. The province's takeover of the residential and commercial-industrial tax base to fund its education takeover included the money that was being allocated for those social services. If it really is true that that money was funding things that ought to have been paid for by municipalities, then logic suggests that the province ought to give the money back to the municipalities to enable them to provide those services.

I've gone on a little longer than I expected to, but I did start a little bit late because of the technological problems.

The Chair: Thank you very much for your presentation. We have approximately seven minutes per caucus.

Mr Christopherson: Thank you very much for the presentation. There are so many areas. I just want to go back to something I raised yesterday to see if there's a different take on it.

In the statement of financial transactions in the quarterly report handed out by the Minister of Finance yesterday, page 11 talked about an interesting line called "cash timing adjustments." This speaks to a line item in the budget plan of \$3.192 billion, almost \$3.2 billion. The current outlook is that they're only going to spend \$961 million, meaning that there is over a \$2.2-billion change in that line item. When I asked the deputy about it, he and his assistants talked a lot about the fact that much of this was just a money transfer, a paper transfer of money depending on whether money had actually flowed out to areas where it was to be spent or not, maybe money they received back from municipalities, from transfer partners, if they hadn't spent it.

My focus was whether or not there was anything real in terms of its impact on our economy, given the large dollar amount. I said to the deputy that if it were a few hundred million—not that that's not important—I wouldn't have raised it as a priority issue. To be fair, they did agree to get back to me in writing with a further detailed explanation. They didn't give me a definitive answer, but certainly the impression, I think it's fair to say, is that this is not a huge deal. It has to do with accounting practices. I would like to get your take on that, whether you agree, and, if not, what you think this says.

1150

Mr Mackenzie: The cash timing adjustment number is a balancing number. It balances the way the government keeps its books for budgetary purposes with the actual cash flows of the government. So when there is a positive cash timing adjustment it means there is more money being spent by the government in one form or another during the year than appears in the budget. When there's a negative cash timing adjustment, it means there is less money being spent by the government, actually flowing out, than appears in the actual budget.

When the cash timing adjustment number goes down, because it's a balancing number, it can only be the result of one of two things: Either there is money that the government has put into the budget for this year that it turns out will not flow this year, or there is money that had been previously budgeted and accounted for in a previous budget year that they thought was going to flow this year that did not. The bottom line is that something in excess of \$2 billion that was originally projected to be spent is not going to be spent.

To give you a highlight to this, in the most recent update of Ontario Finances, it shows additional spending of about \$1 billion compared with the previous iteration of Ontario Finances. My guess would be that although that's been booked, a lot of that actually won't be spent; it will be spent in some future year. So some of the expenditure that's been booked in this year as an adjustment in this most recent issue of Ontario Finances is actually phan-

tom money that won't appear until some time in the future.

That can only account for a maximum of \$1 billion of that difference, though. The rest of it has to be that expenditures of various kinds, both capital expenditures and other expenditures, that they were anticipating they were going to be making in this year, they are not actually making.

What measures the impact of the budget on the economy is not what's in the budget, it's what flows in cash. So in terms of economic impact, the cash timing adjustments have gone from pushing an extra \$3 billion into the economy to pushing an extra \$961 million into the economy.

Mr Christopherson: Thank you.

On page 2 of your handout, you point out the personal savings rate. Again, I raised this yesterday with the deputy. Those are not political discussions; they're technical presentations and we keep it at the technical level, or try to. I noted that over the years, their own figures had shown that we'd gone, at one point, from about 16% or 19% to about a 10% savings rate when the government took power and that now we're down to about 3%, less than 4%. I asked what the significance of that was should the economy burst and, again, their full answer is in the Hansard; I don't want to misrepresent them.

To paraphrase, they answered, as I suspected, that people are looking at the amount of money they have in mutual funds, in their RRSPs, as they ride the stock market wave and saying: "Gee, I've got enough money there. I don't need to worry as much about having cash on hand because I'm doing quite well. The books are looking good and we're making money year over year."

I said, "What happens in the event that the bubble bursts?" The answer I received was that if that happens, "Then individuals would just reallocate money back to their savings." My point was that that's not possible for a lot of people who don't have that many discretionary funds. If you have a big enough income, you can make that kind of a dramatic move.

Can I ask your opinion of what it means to be at this low a personal savings rate if indeed the bubble bursts and there's a recession, let alone any kind of a major downturn in the value of the current stock market? Where does that leave people?

Two things: One is, where does that leave people in terms of their future, their retirement plans, middle-class working families that are planning to retire on this growing nest egg in their mutual fund RRSP portfolio? Secondly, what are the implications of such a low savings rate on families and on the overall economy if we get into that recessionary mode? Even Catherine Swift acknowledged it's not a question of "if," just "when."

Mr Mackenzie: I think my explanation or my characterization of what's going on would be similar to the one that was given to you yesterday. I noticed when I was looking at the Hansard response that the officials noted the fact that this is a phenomenon that's taking place in the United States as well.

The implications of it are quite serious. In my view, the consumption bubble that is based on consuming out of unrealized wealth, which is essentially what's going on—what's going on is that people's perceived wealth has gone up because their mutual fund holdings have gone up in value dramatically in the 1990s and they have made expenditures, borrowed money, whatever.

The other phenomenon of the 1990s is that in the longest continuous expansion in American history, levels of personal indebtedness have soared. So what's going on is that we've got the 1990s equivalent of margin buying from the 1920s. We've got people consuming out of wealth that is not realized, that is accumulating in a mutual fund account.

It concerns me that we may have built into our financial and economic structure exactly the kind of vulnerabilities that many people attribute the rapidity of the collapse after 1929 to in the context of the 1920s. In the 1920s people accumulated large amounts of wealth on the strength of money they borrowed to buy stocks. You can't do that any more, so what people are doing now is borrowing money to consume out of those assets. If those assets were to diminish in value, we're going to see a return to—just to back up a second, one of the things that happened in the 1930s, 1940s, 1950s and 1960s is that the real economy got insulated from the paper economy. What we're seeing is people starting to consume out of unrealized wealth building up in mutual funds. We're seeing a reconnection of those two in a way that I don't think is going to be terribly helpful if we do get a rapid turndown in stock values. As to the implications for people's retirement income, it's potentially an extremely serious problem.

The Chair: Thank you very much. On the government side, Ms Molinari.

Mrs Tina R. Molinari (Thornhill): Thank you for your presentation. I could talk about and focus on some of the areas you've talked about with respect to education and some of the inaccuracies that I've noticed in your presentation. Some of them have to do with the fact that boards are spending more for the teacher compensation package, and that's because they have a portion of the budget where they have flexibility. If boards are choosing to spend that flexible money on the teachers' compensation package, then it's the option of the board.

One of the things the government has done is taken away the ability to increase taxes to the already overburdened taxpayer, so that boards can no longer increase taxation to provide for the compensation packages that they have.

I want to focus on some of the other points that you've raised. You said that we borrowed to introduce the tax cuts. The money already belongs to the taxpayer; it's not money that is borrowed.

We've heard from the previous presenter that governments don't effect a downturn in the economy, and they don't do the good economy, but obviously the policies that the government puts in place can either make that better or make it worse depending on what the govern-

ment's policies are. Certainly some of the benefits the US economy has had on us is a factor, but it's been stated that if it weren't for the tax cuts the economy would not have increased to the point that it has.

One question that I have for you is related to your comments on tax cuts. Do you believe that governments can spend money better than you as a taxpayer? In essence that's what you're saying, that the government can spend the money better than you as a taxpayer. The tax cuts are putting money back in your pocket, giving you the option and the opportunity to spend the money the way you see fit. What I'm understanding is that you believe that governments shouldn't introduce tax cuts because governments can spend money better than you as a taxpayer.

1200

Mr Mackenzie: The short answer to your question is yes. I think the reason why is that Ontario society, the Ontario economy, Ontario businesses benefit enormously from the public services we provide. Canada's medicare system is far and away the most important competitive advantage that Canadian businesses have relative to American businesses. Anything that we do that jeopardizes that jeopardizes a fundamental piece of Ontario's competitive advantage.

To pick another area, education at the elementary, secondary and post-secondary levels, every analyst that stargazes about the future of the economy underlines how important it is for our entire society and our entire society's economic future to ensure that we maximize the effectiveness and the quantum of our investment in the skills and education of our young people. That is going to be the economic foundation. When those expenditures are cut back we are jeopardizing our economic future.

My answer to your question would be that at the margin where we're sitting here in Ontario right now, Ontarians are better off if the government were to take that money and invest it in improving public services. The fact is, curiously enough—maybe not curiously enough—that when you look at the public opinion surveys, that's exactly what you find. What you find is that a significant majority of Canadians and a significant majority of Ontarians, when they look at the choices in front of them, would choose to reinvest in public services, to reinvest in health care, to reinvest in education, to make investments that will enable our society to deal with homelessness, to make investments in the quality of life of poor children. They would make those investments before they would take a tax cut. So, yes.

Mrs Molinari: I won't take up much time. I'd like to leave some time for my colleagues.

We also believe in health care and education and the quality of those very important areas. Our plans are for the long term. For the economy to continue to improve and for us to have the money to fund essential services such as education and health care, you need to have a growing economy. We agree on what the end results should be but I guess we have different ways of approaching that.

Mr Mackenzie: I would say that my point was a long-term point. I wouldn't pretend at this point that the cuts that have taken place in education to date have had a measurable impact on Ontario's competitive position, on Ontario's ability to generate the skilled and smart people who are going to be needed to make this economy thrive in the future, but I think we are introducing some cancerous elements into the education system in this province and we're going to be paying for it 10 and 15 years from now. Likewise, I think we jeopardize the effectiveness of the medicare system at our economic peril. You're sowing the seeds now of problems that we're going to be dealing with in the future.

Mrs Molinari: There were problems already in place. It's an evolving thing that over the years will continue to be improved.

I'll leave time for the rest of my colleagues.

The Chair: I think the time has been exhausted and I have to go to the official opposition.

Mr Kwinter: Mr Mackenzie, as always I've enjoyed your presentation and the effort that you put into it. I was quite interested in your—

Mr Mackenzie: Just to interrupt, I was hoping that Mr O'Toole would get to ask a question because I was going to ask him what he thought the user fee should be for making a presentation to the committee.

Mr Kwinter: I wanted to just pick up on your initial graph which was the international exports being the real driver of the economy of Ontario. I had occasion to listen to the federal Minister of International Trade a few weeks ago and it was quite interesting to me that he was pointing out that Ontario and Canada are 45% dependent on trade for the GDP as opposed to the United States, which is 11%, as opposed to Japan, which is 15%. The thing I found strange is that he was trying to portray that as a real plus, in that, "Just look at how much more competitive we are than these other jurisdictions, that we've got 45% of our activity through international trade."

The question I ask of you in your studies is, what happens if the exchange rate changes? During the free trade discussions, I had several leaders of industry come forward saying that if the dollar ever exceeds 80 cents we're in trouble, big trouble. Secondly, what happens if there is a downturn in the US economy, which is our major trading partner, and how is that going to impact on the ability of Ontario and other jurisdictions in Canada to carry out the programs they're embarked on now and to deal with their debt?

Mr Mackenzie: In a nutshell, that's disaster times two. You don't have to invent anything. All you have to do is look back at what the factors were that changed in the 1990s to get us out of the deep recession that developed in 1991-92. What happened was that the value of the Canadian dollar dropped from the high 80s down to the high 60s, which was an almost instantaneous, dramatic improvement in the competitive position of Canadian exporters in the United States, and an equally dramatic change in the import price that people were facing.

The gradual increase in integration of Canada into the US economy means that our economy is far more vulnerable to fluctuations in the US economy now than it was 10 years ago. For all the talk and the Team Canada exercises that go to this, that and the other place in the world, the reality is that our dependence on trade with the United States has increased dramatically over the period of the 1990s. Our economy is much more closely tied into that of the United States and we are much more vulnerable to fluctuations in the US economy than we were.

Mr Phillips: Thank you. I appreciate your being here. I'm very interested in your revenue forecast.

Mr Mackenzie: I read the exchange.

Mr Phillips: Just for the record, I write down my predictions. I've always predicted that with the tax cut, tax revenue in Ontario still would continue to rise. I've always said that, and that's the reality. The issue is, how much has it cost us in lost revenue? The federal personal income tax revenue has gone up about 30% over the last five years and Ontario has gone up about 5%. That's about \$5 billion in forgone revenue. The government itself, when it published its budget, said this will represent forgone revenue of \$4.8 billion, I think they said. So it's not a number that I or any of us in the opposition have made up. The government itself has said, "Listen, we think it's a good idea to forgo \$4.8 billion of annual revenue." The personal income tax revenue shows it: federal revenue up 30%, provincial revenue up 5%; that's close to a \$5-billion difference.

The issue for me is that we are trying to make some decisions on the budget. The government has not given us one estimate of revenue, not even for next fiscal year.

Mr Mackenzie: You don't even have an accurate forecast of revenue for this fiscal year, the one we're in.

Mr Phillips: That is also true. The minister said he's betting that when the books are closed, the revenue will be \$600 million higher, or something like that. We do not have that, so we have to rely on our own resources to prepare that, and people like yourself. Can you help us out in terms of how we should be looking at how we can predict revenue for next fiscal year and the following at least couple of fiscal years?

Mr Mackenzie: I guess my starting point would be to look at the forecast for Canada that the Department of Finance has released. Keep in mind a couple of things. One is that partly because Ontario's economy is so much more tightly tied into the United States than the economy of any other part of the country, these numbers are exaggerated a little bit. In the last few years, Ontario's rate of growth has been running about one point above the national average. I'd take those and I'd increase them a bit to reflect the fact that Ontario is likely to be growing more quickly as long as the US economy continues to boom. The other side of the coin is that Ontario will shrink more quickly if the US economy starts to slide.

As a rough rule of thumb, income tax revenue tends to increase about 10% more quickly than a strictly proportional increase would. You can just go through the

budget items. There are some that you know are not going to increase because they're one-time-only items; there are other things that are going to increase basically in proportion to the total value of goods and services in the economy. Things like employer health tax revenue, for example, increase basically in proportion to growth in employment. It's not rocket science. It would be nice if the minister were prepared to release the numbers that he's basing his analysis on. That would certainly help you. But there certainly isn't a shortage of other sources of information out there. There are various agencies that do forecasts for the province. The Conference Board, for example, generates—actually, the legislative library is a subscriber, so you could send somebody up to the legislative library to take a look at what the forecast is for economic growth in Ontario for the next couple of years. That would give you a reasonable ballpark.

My understanding is that although the minister is now saying that the rate of growth in the province is expected for 1999 to be about 5%, the revenue projections are still based on the original forecast of 3.7%, hence his statement that when the numbers finally come in it's going to be \$600 million higher. My guess is that if the minister is prepared to say the number \$600 million sitting here at the beginning of February in a partisan environment, the actual underlying numbers are going to be even higher than that for this fiscal year.

So it's kind of a mixed story here. On one hand you're looking at what I consider to be a significant underestimate of the revenue base for this year, which translates to reduced forecasts for next year, but then over the horizon we're seeing some real risk factors. I think at the very least it would provide some comfort to people who are feeling anxious about this if the minister were to indicate that once the budget is balanced he will not proceed with any of the future instalments of the tax cut if it appears that the introduction of the tax cut is going to cause Ontario's fiscal situation to deteriorate or public services to deteriorate.

The Chair: With that, we have run out of time. On behalf of the committee, thank you very much for your presentation.

This committee will stand adjourned until 1 o'clock this afternoon.

The committee recessed from 1214 to 1303.

The Chair: It is slightly after 1 o'clock. I would like to bring the meeting back to order.

First of all, I have a brief announcement. One of the members requested some information yesterday from the research department; that is in front of you.

ROYAL BANK OF CANADA

The Chair: Our first guest this afternoon is the chief economist from the Royal Bank of Canada. I'll give you the opportunity to introduce yourself for the record. Welcome to the standing committee on finance and economic affairs.

Dr John McCallum: It's a pleasure to be here. My name is John McCallum and I'm chief economist for the Royal Bank. I'd like, if I may, to talk for not more than 20 minutes or so, and then there will be lots of time for questions and discussion.

I do think we live in interesting times. On the one hand, every living, breathing economist seems to be very optimistic about the outlook, which is itself perhaps cause for concern.

One personal example: The *Globe and Mail*, every year-end, does a debate between an optimist and a pessimist on the economic outlook. They called me up just before Christmas and they invited me. I said: "Oh yes, sure. Just out of curiosity, who is the pessimist?" The answer came back, "You are." Well, I'm not a pessimist but that gives you a sign. I was the most pessimistic person they could find.

There's great optimism on that front. At the same time, I think there's a certain amount of pessimism or gloom and doom in terms of the longer-term future of the country, partly because we've had a pretty dismal 1990s, where the average households faced declining take-home pay.

What I'd like to do is talk a bit about the outlook, the risk to the outlook, starting with the US, talk about Canada, come to Ontario, including the budget outlook, and then say a few words about taxes in general.

The rest of the world, outside the US, is picking up more than we thought they would. The US economy is booming, but we, like most, think it has to slow down. It's growing at an unsustainable pace. We're already seeing inflation on the rise. It's absolutely certain that the Fed will raise interest rates in about an hour's time, probably by a quarter, possibly by a half, and another quarter probably in the coming months.

We, like most people, think that the US economy will continue to do well in the coming year, maybe 3%, which is quite a lot lower than the previous year but still quite respectable.

Just to offset some of this huge optimism, let me talk about a couple of things that could go wrong in the US. This is extremely important for Ontario, because Ontario far more than any province is highly dependant on the United States, with over 40% of the province's GDP going in exports to the US.

The first thing that could go wrong is what you might call a boom-and-bust case in the United States where the economy refuses to slow down. The economy for three years has refused to slow down, refused to obey economists' forecasts, and so it might happen again. If that did happen, if the US were to continue growing at 4%, 5% or even 6% for awhile, you would clearly have rising inflation and you would clearly have a situation where the Fed would have to go up, not by half a point but by a full point or even two percentage points, at which point you would clearly have a slowdown, but we'd land abruptly rather than softly, because Ontarian, Canadian and US households have record levels of debt and there's nothing

like a two percentage point hike in interest rates to bring considerable distress to North American households.

That's the first risk of boom and bust, where we'd have high growth for two or three more quarters and then an abrupt landing, and that wouldn't be good for Ontario, except for two quarters of the boom part followed by the bust.

The other thing that could go wrong in the United States is the stock market correction. As you all know, the US stock market is grossly overvalued according to most conventional measures. I'm not predicting this, but a severe stock market correction cannot be ruled out. I would say if it's just the stock market that corrects, the economy would slow, but it wouldn't throw us into a recession. I think bubbles that burst that cause huge damage usually involve real estate as well as stock market, as in Ontario in the early 1990s and it isn't much of a real estate bubble in the US. I think the stock market correction would give us slowdown. We'd have slower growth than what we're forecasting but not a recession. Our best-case forecast though is 3% growth to the United States in the coming year.

Coming to Canada, the fact that the global economy is doing better is good for commodity prices, therefore good for our resources sector, good for the Canadian dollar—"good" meaning higher, which isn't what everybody regards as good.

I think the Canadian economy will grow at maybe 3.2% this year, a little bit faster than the US, as long as those bad things I mentioned don't happen, because we have a continuing good US economy. We have higher commodity prices, as I said, which is good for the resource sector. We have good conditions for investments. We have most governments in surplus, providing tax cuts or spending increases rather than the fiscal drag which we had through much of the 1990s. Put that all together and I think we'll have pretty robust growth in this country in the coming year.

I think, by the way, the Bank of Canada will follow the Fed in its hike today and probably next month, not because it really wants us to slow too much but because the Canadian economy at this time is growing very fast and the Bank of Canada will want to impose certain speed limits.

1310

Let me come now to Ontario. As you all know, there is no doubt whatsoever that this province is booming. Just to give you a few statistics for the year to date: 3.1% employment growth—unemployment rate lower than it's been in a long, long time; retail sales up 7.4%; housing starts up 20%; manufacturing shipments up 12%; exports, which are critical to this province, up 14.2%; manufacturing shipments up 12.3% etc. I don't need to tell you more. You know very well that this province is booming.

In answer to the question why, I would put primary emphasis on the booming US economy, because as I said before, over 40% of this province's GDP is going to the US. The US is absolutely critical. Also, the weak Cana-

dian dollar has given a further boost to Ontario exports to the United States. Lower taxes have given a bit of help as well, but I would put the primary emphasis on those first two factors.

The question we're all interested in is, what's going to happen in the future? We think as our base case forecast that the Ontario economy will continue to do well this year, will outperform the Canadian economy. Our estimate for growth is 3.8%, which is not far off the consensus, but I would draw your attention one more time to these risks, to things that could go wrong, especially coming from south of the border, and that these events potentially coming from south of the border, because of what you might call structural imbalances in the US, would have a major impact on this forecast.

Turning now to the budget of Ontario: A while ago we produced a document called *Relative Fiscal Power: Ottawa versus the Provinces*, which made somewhat mechanical assumptions and projected forward the surpluses of the provinces. Five years from now, the estimated surpluses or fiscal dividends were estimated for each province. Ontario had about the lowest and BC the second lowest, something like \$3.5 billion in 2004-05. The reason was the starting point. It's not a criticism of Ontario or BC. Both of those provinces started with a deficit, Ontario primarily because of the tax cuts and BC because they decided to increase spending to offset the impact of the Asian crisis. In a sense, Ontario had spent a part of its fiscal dividend in advance, but these estimates, which were done some time ago, in September I think, now are somewhat too pessimistic because the economy has become much stronger than we thought it would.

I did just a back-of-the-envelope calculation as to what would be the largest possible surplus, if you like, under somewhat rosy assumptions. My assumptions are very simple. Assume that Ontario's tax revenue grows at 6% per year, which is high—2% inflation, 4% real, something like that—and over three years, in rough terms, that's a 20% increase. Assume that Ontario expenditures and non-tax revenues, like transfers from the federal government, grow at 3% a year—that's like inflation plus population—or roughly 10% over three years. I think those are pretty rosy assumptions. If you make those assumptions, then we get a \$5.3-billion improvement in the surplus by 2002-03. Assuming the government is right in the sense that there's a \$1-billion deficit in 1999-2000, that would mean a \$4.3-billion surplus in 2002-03, which would give you some idea, under what I would call optimistic assumptions and without any allowance for prudence, as to how much room there would be for either lower taxes or higher spending.

Finally, let me just say a few words about taxes in general. I'm not just talking about Ontario; I'm talking about Canada. I think there's always something of a balance between our desire as a country to be what you might call a kinder, gentler society versus the need for competitiveness to foster economic growth.

There's a balance between those two things. I think the 1990s have been a pretty rotten decade. It ended with

a boom, but in the decade as a whole, we've seen declining Canadian living standards as measured by per capita disposable income, both absolutely and very much relative to the United States. We've seen productivity growth that's at best mediocre. So it's very important that Canada not continue this not only absolute decline but decline relative to the US. If we keep on at our present rate, the US lead over us will get bigger and bigger, and this can only be bad news, both in terms of attracting business and people to work in our country and in terms of keeping up with the Americans in areas like research, health, education, that depend on the overall growth of the economy.

For these reasons it seems to me, as a general statement, I would favour a little bit of a tilt in terms of this balance, that we really have to have policies to foster growth and productivity, more so than we have had in the past. For this reason, I myself would put more emphasis on lower taxes than I might have in the past, and I agree with Jack Mintz, for example, president of the C.D. Howe Institute, that you got quite a lot of bang for the buck from lowering business taxes, and I also think that a good share of the revenues available ought to go to lower personal income tax. I think that we'll always have higher income tax than the Americans—unless perhaps we have the 17% flat tax, but that's another issue—but I don't think we can afford to have a rising Canada-US tax gap. Don't forget the Americans have surpluses. Undoubtedly they will be cutting taxes, so if we are just to preserve the big gap we already have, we also have to work in the direction of lower income taxes. I'm saying that from the standpoint of the country as a whole. I certainly am not opposed to some expenditure increases, certainly in areas of greatest social need, homelessness etc, but I do think that a considerable chunk of any impending fiscal surpluses ought to be directed to a lower tax burden.

Mr Chair, that's about 15 minutes. I'll leave it at that. Thank you very much for listening, and I'd be happy to answer any questions you might have.

The Chair: We have about 15 minutes for each caucus, and this time I'll start with the government side.

Mr Ted Arnott (Waterloo-Wellington): Thank you, Dr McCallum, for your presentation. Thanks for coming again.

Dr McCallum: Thanks for listening to me.

Mr Arnott: It's my understanding that you have suggested that with the expected surplus that we're looking at for the federal government, they have room to cut personal income taxes by between 15% and 20% over the next five years. Is that correct?

Dr McCallum: I believe what I said is that if they used all of their fiscal dividends for personal income taxes, they could cut by 20%, but then I said, "which they won't," so the maximum personal tax cut, if you used all of it, under my assumptions, would be a 20% income tax cut. But they'll certainly use some of it, maybe for EI premium reductions, some of it for business tax reductions, some of it for investments etc, so—

Mr Arnott: Transfers to the provinces.

Dr McCallum: Transfers to provinces. So it won't all go there. That's more an upper limit than a statement of how much I think they will cut by.

Mr Arnott: And they're politically committed to doing something totally different as well. This 50-50 idea of—

Dr McCallum: My impression is the Minister of Finance is not desperately keen on that 50-50, and there are certainly accounting manipulations one can do to present things as spending or as taxes, depending on one's preferences. There is also the case that this 50-50 rule only goes to the end of the mandate, and if you are thinking of a five-year plan, then you are not bound by it. But one doesn't know what will replace it, of course.

Mr Arnott: Getting back to the provincial jurisdiction, I was interested in what you said about the pending surplus for the province of Ontario, presumably \$3.5 billion by 2002-03?

Dr McCallum: My back-of-the-envelope, rosy calculation would be, if you'd take it as a given that there's a \$1-billion deficit in 1999-2000, it would be roughly \$4 billion in 2002-03, but that's based on pretty rosy assumptions. I would call that kind of an upper limit.

1320

Mr Arnott: People in my riding tell me they want debt reduction to be a higher priority in the provincial government as well as the federal government. Would you concur that should be an important priority of the provincial government as we get into these, hopefully, continued years of surpluses?

Dr McCallum: Yes. It's a question of how much. Obviously, the more you put into debt reduction, the less you have for tax cuts or higher social spending. But Ontario has a relatively high debt, so that would be an argument in favour of it.

I think the general argument in favour of debt reduction, whether federally or provincially, is partly that Canada has one of the highest debts in the world, but it's also an intergenerational argument because we have a 10- to 15-year window before all the baby boomers retire en masse. At that time, the spending needs for health care and pensions will be higher and the tax base will be weaker because there will be fewer people working to support more old people. So the last thing that younger generation needs is to be saddled with a high debt and interest carrying charges in addition to the burden of supporting the elderly.

You could argue—I don't think I argue this, maybe because I am a baby boomer—that all these calls for tax cuts today, which will favour the baby boomers who are in their peak earning years, are kind of like pigs at a trough from a younger generation's point of view. It's these people who have benefited from the deficits, and they will be saddling their children with a higher debt when it comes to their retirement 10 to 15 years from now. That's the argument for a big focus on debt, and there's a lot of truth in that.

But I do think there are some very high priority spending needs. I would be highly selective. I do think that, given our need to be competitive with the United States, there is also a pressing need for tax reductions. So it's always going to be a balancing act. I would put significant money into debt reduction. I certainly wouldn't put the whole thing, but I would probably have more emphasis than we've heard so far.

I think at the federal level their \$3-billion contingency reserve, if it's not needed, is the minimum. Assuming the economy grows nicely, the debt-to-GDP ratio will come down. But if you agree that we are living in the best of times, economically speaking, now is the time to have significant surpluses.

Mr Arnott: Thank you very much. I have more questions, but I want to allow my colleague—

Dr McCallum: Maybe my answers are too long.

Mr Arnott: No. Thank you.

Mr Galt: Thank you for the presentation. I want to question around your giving so much credit to the American economy when in fact we are leading most of the states and leading all the G7 countries. You're giving an awful lot of credit to them, that we're riding on their coattails, when in fact we're leading.

There are several things that run through my mind. First, I understand that you did not support the tax-cut approach that we were going with, the government, and later on you came on board. That's all part and parcel of economics of the Laffer curve and where it goes. We understand that in the beginning of our term a lot of it was export-support growth. More recently, 80% of our growth relates to consumption within the province.

In the first half of the last decade, across Canada there were 350,000 net new jobs created, while in Ontario we lost almost 50,000—a total turnaround. I can't believe those who wrote our platform, the economists, could be so accurate on deficit reduction and also with creation of new jobs. We're right on target. Maybe they read into that what was happening with the American economy. I don't know.

In viewing all those things, plus BC going downhill in the last few years, is that related to the American economy or is that related to the policies and the tax structure of BC? I have difficulties giving so much credit, as you are giving, to the American economy for what's happening in the province of Ontario, particularly comparing with the left coast, out in BC, and what's happening there.

Dr McCallum: First of all, I wasn't aware that I'd ever commented publicly one way or the other on the tax cut.

Interjection: It's in the dossier.

Dr McCallum: I don't believe in the Laffer curve, if that was your implication. I don't believe that if you cut a dollar of tax, you'll get more than a dollar back in revenue. That is the extreme of what an economist would call a free lunch. If that were the case, why didn't governments have massive tax cuts years ago if they'd get more money back than they cut? So I don't believe that; I don't

think many economists do. You'll get some of it back, but nowhere near dollar for dollar.

On the question of British Columbia, I've put a lot of emphasis on the US for Ontario, because Ontario is uniquely dependent on the US for its trade and Ontario trade is huge relative to GDP. British Columbia exports about a third of its exports to Asia; Ontario exports about 3% of its exports to Asia, virtually nothing. So when Asia tanks, obviously BC gets affected by that.

I would also agree with you that the extreme—what shall I call it?—hostility between business and government in that province, which is unique to this country—Glen Clark no longer is the Premier, but he was, and if you go and talk to business people in British Columbia, and it doesn't matter what the topic, within three minutes they're into bashing Glen Clark. I'm not denying he possibly deserves bashing. I'm just saying the climate there is—you can't quantify the impact, but certainly it isn't good. That is an unquantifiable negative, but Asia certainly had a big impact also, given the exports of British Columbia.

On Ontario, I mentioned the US a lot, yes. A second factor which helps to explain Ontario's more rapid growth than the US would be the low Canadian dollar. Ontario is the principal exporter of manufactured goods. We've certainly benefited immensely from that weak dollar in terms of export generation.

I did mention as well the tax cut. I don't think it's as important as those other two factors, but I do think it played a positive role. If you look at Ontario personal income tax revenues as a percentage of Ontario personal disposable income, it was 7.6% in 1995-96, and according to estimates it will be around 6.9% in 1999-2000. So over four years it's gone from 7.6% of disposable income to 6.9%. That's lower by 0.7 percentage points. I don't think it's lower by enough to have had a huge impact on this province's growth rate, but I did agree and I did mention it upfront as a helpful factor.

Mr Galt: Just as a follow-up supplementary, you commented that disposable income of Canadians had dropped throughout the decade, with a little rally at the end, at least as far as your comments. Why has disposable income gone down so much? Is that related to the taxes? The federal government continued to increase taxes in the first half of the decade. In Ontario they increased taxes. In BC they are increasing taxes now. Is that the reasoning, or are there other factors than taxes driving jobs away, driving the economy out of Ontario and out of Canada, because those taxes have gone up?

Dr McCallum: That's certainly one of the reasons. You heard me say, I think, at the end a plea for lower taxes. I'm in favour of lower taxes. I'm in favour of using a good chunk of future surpluses for lower taxes because I think that will make our economy more competitive, that will help to create jobs, and that will help to attract both people and economic activity to our jurisdiction. So I'm not arguing for higher taxes; quite the contrary.

If you ask me why our relative income position dropped in the 1990s, it's partly taxes: the direct effect of

taxes on take-home pay and the indirect effect of taxes on growth and economic activity. But the single most important factor from a purely statistical point of view is, if you take disposable income per capita, you can break that into two components: income per person employed and the percentage of the population that has a job. So you can have falling per capita income either because of lower income per person employed or because a smaller fraction of the people are employed. The biggest reason for Canada's drop was a drop in the fraction of the people who were employed, especially in the first half of the 1990s when our recession was way worse than in the United States, and especially in Ontario it was way worse than in the rest of Canada.

So part of the reason is the very deep and long recession that we had. And why was that? Well, a number of reasons. We started out with higher inflation. We had sky-high interest rates to fight inflation. We started out with big deficits. We had fiscal drag to tame our deficits. So we had some structural adjustments to do which were painful, and that helped to deepen the recession; possibly also because of our higher taxes.

1330

The good news is we've made those adjustments. We've turned our deficits into surpluses. We've got our inflation down to a very low level. While those adjustments have been painful, those adjustments have been made. I think from that standpoint, the outlook going forward is positive. A high priority, though, to reduce this living standards gap between Canada and the US is to lower taxes.

Mr Galt: Thank you very much. I fully agree with the lower taxes.

The Chair: I have to go to the opposition for 15 minutes.

Mr Kwinter: Mr McCallum, I was interested in your observation about what we do with this fiscal dividend, whether we reduce taxes, whether we improve services. You went through all the options, and it wasn't until you got prompted by a member of the Conservative Party that you talked about debt reduction.

My concern and the thing I want to ask you about is this: At the present time, in round figures, it takes about \$9 billion to service the debt of Ontario, a significant proportion of the budget. If you feel there is a stimulus in reducing taxes, plus a need to improve certain services, how can you even deal with the debt in any significant way that's going to impact on that \$9 billion a year?

Dr McCallum: It's always a question of the present versus the future. If you have a big reduction in the debt, let's say over the next five years, then Ontarians will have to have higher taxes than they otherwise would have had because of the debt reduction program and/or less social services than they otherwise would. So there's a cost during the period when you're bringing the debt down. The benefit is that once you've brought it down, that \$9 billion of debt servicing will be less, and at that point you can cut taxes more or raise spending more. It's all a question of intertemporal or intergenerational distri-

bution. If you want to have a huge debt reduction in the next five years, then you're penalizing citizens in the next five years to the gain of citizens thereafter. That's why I brought up the baby boomers and so on. But also, if your debt is way too high, then you have the risk of economic instability in hard times.

There is no agreement with economists on exactly what debt is optimum. There is agreement that ours in Canada and Ontario and Ottawa is too high. For Ottawa, I think a \$3-billion debt reduction per year plus growth to reduce the burden of the debt is okay, but I think that is the minimum. If they do that, then under fairly conservative economic assumptions the federal debt would go from 72% of GDP, which was its peak three or four years ago, down to less than 50% five years from now. That's quite a significant reduction. It's a matter of opinion whether that's enough. I think it's the minimum.

In terms of Ontario, it would be nice to devote a part of future surpluses to the debt, but I certainly wouldn't say all of them. If Ottawa is \$3 billion a year, maybe Ontario could do \$1 billion a year. I don't know. I think something on that level would probably be adequate. Others would be more hawkish on the debt. I think it's a matter of opinion. There's no economic law or theory which tells us precisely what one should do in this area.

Mr Kwinter: From a practical point of view, let's say we use your figure of \$1 billion a year in debt reduction. That \$1 billion a year in debt reduction of a debt that's well over \$100 billion is going to have very little effect on the interest charge against it. All it will really do is pander to those who say you've got to do something about the debt. But from an effective point of view, or from a political point of view as well, how do you see any kind of resolution, anyone making any kind of commitment to tackle the debt when, as you say, a billion dollars is not going to make a significant difference? How would you do that?

Dr McCallum: I think time heals many things, and if we are correct in assuming that we will not have a major recession but we will have continuing moderate growth of maybe 3% in real terms per year, well then, what really matters is not the absolute dollars of debt but the debt in relation to the size of the economy. Just like your own personal debt, what matters is your debt in relation to your income. If you're Bill Gates, you can sustain a bigger debt than most of us. So it's debt to income that matters. I think that with modest dollar down payments on the debt, plus continuing growth, we will steadily but surely have that burden of the debt coming down.

Mr Phillips: The government's already announced its plans for the next three or four years in terms of how it's planning to deal with the fiscal dividend. I'd just like your comment on the implications of it. They have said they're going to use \$2 billion to pay down the debt, increase health spending by about \$2.5 billion and cut taxes by about \$5.3 billion, although they're partially into that now. Two of those are annual costs. The \$5.3 billion is an annualized cost, the \$2.5 billion is annualized cost

on health care and it's probably the equivalent of \$500 million a year on debt reduction.

By the way, as an aside, I'd be interested in getting both the back-of-the-envelope thing you did there and the other document, because we're kind of flying blind here in terms of any idea of what revenue we should be looking at over the next two to three years. Just on the basis that, as I say, they've already made some very significant annual commitments on how they are going to spend that money in the future, what does that do to your envelope?

Dr McCallum: Well, let's take my back-of-the-envelope ones, because those are the most optimistic. I would say that it would be very imprudent to assume a higher surplus than that. If you assume over the next three years a 20% increase in tax revenues and a 10% increase in spending and non-tax revenues, then by 2002-03 you have a \$5.3-billion surplus. So if the list of annual expenditures, including debt reduction and tax cuts, is more than \$5.3 billion by 2002-03, well then my numbers say you can't do that unless you have spending go up by less than 3% per year — 3% per year is basically constant real per capita — or unless you raise other taxes, because my back-of-the-envelope calculation says under rosy assumptions you have a \$5.3-billion surplus in 2002-03. You add up your numbers and if they come to more than that, then my number says that the government can only do that if it, as I just said, either raises spending less than 3% per year or raises other kinds of taxes.

Mr Phillips: It would be helpful, I think, if you would provide the committee with that, because frankly we're being asked to kind of buy into the tax cut without the government providing any information at all to the committee of what we should expect in future revenues. By the way, the government's told us they prepare these things, details, line by line. There's no magic. You're an economist, you know there's a formula you all use, but we can't get the government to get us that, so I'm interested in your providing that. It would be very helpful to the committee.

Dr McCallum: I won't comment on what you just said about the government, but I'd be happy to prepare—should I send the documents to the Chair?

1340

Mr Phillips: Yes, I think they go to the Chair. He would circulate them.

Just a comment on the flat tax—we've heard about that—whether you have any comment on the—

Dr McCallum: I gather the Minister of Finance, Ernie Eves—I guess there's not a universal opinion of him in this room, but I don't think anyone would say he's a raving socialist. He said yesterday, if the paper is right, that it was not progressive enough for him or too right-wing for him. My own personal view is that I agree with that. I said that we have to have a balance between a kinder, gentler society and growth, competition etc, but that flat tax is more than the Republican Party in the United States has done. I can do a back-of-the-envelope calculation of what it would do to my take-home pay, and

it would certainly be very nice, but my income is quite a bit above the Canadian average.

This is a personal point of view—I'm not sure if the Royal Bank has any view on this—but I would agree with what the minister said. I think most Canadians would favour some degree of progressivity in their tax system.

Mr Phillips: You have commented a lot on the export orientation, and I personally agree with that, and I think the government does agree with it because they always cite it in their documents as the most important economic factor driving Ontario. It's gone from the equivalent of 28% of the gross domestic product to 52%. It's the engine driving it.

Again, maybe to summarize so we have it clear, what are the implications of that? Let me be more specific. We've heard today that we must move our taxes. I think the implication is that we must parallel the taxes in the US because we're now so competitive with them. What I would like is somebody like yourself to give us some indication of the implication of that. If we have the same income tax level as the US, same corporate tax level, the taxes are exactly the same—the productivity and the income levels are lower in Canada—it seems to me that you could conclude that we will therefore, over time, end up with a lower level of service, coupled with the fact that everybody has told us that one of the major competitive advantages that we have here is we fund our health care system in a different way than the US, which gives an enormous advantage, particularly to the auto sector. Any advice you can give us on that? If we follow the direction of mirroring the US to compete with them on taxes, where might that lead us here on the services?

Dr McCallum: I think that's a very good question. Just the first and obvious point: Ontario in particular and Canada in general are extremely dependant on the US for trade and are getting more so, and that's a two-way street. Everything is real wonderful now because the United States economy is booming and is wonderful, but at some point we're going to have a recession, at some point things will go down in the United States. It's a symmetrical thing. Then we too will go down to a significant degree.

On your question about taxes and harmonization, I think there are two ways to go. One is what I would call Americanization, where we harmonize everything left, right and centre. In a North American context, harmonizing means we do what they do. It doesn't mean they do what we do. It just means we do everything the Americans do. We harmonize our taxes, our tariffs, our external barriers, this and that and the other, and ultimately our social programs. I think we might end up that way if we continue to deteriorate relative to them.

I for one, partly for economic reasons and partly because I value the differences between the two countries, would not want to see us go that way. I would like to see us not copy the Americans but in some sense do better than the Americans. I think in some areas we can turn our differences into advantages. The health care system, for

all its problems, puts us at a competitive advantage vis-à-vis the US. I think Jack Mintz is right. Now this is partly a tilt. He says we could lower our corporate tax to lower than the Americans at a cost of \$2 billion to the federal government if we broaden the tax base. That might be an activity—that's not very politically popular, but as part of an overall package it might be possible—that might have a lot of bang for the buck in terms of attracting economic activity to this country. That is where the Laffer curve might work to some extent because it would also give corporations an incentive to change the jurisdiction in which they report profit from the US to Canada.

I think in many areas we should not try to be the same as the Americans but in our own different way do things better than the Americans.

That having been said, my last point is I don't think we can afford to have an income tax gap vis-à-vis the US that gets bigger and bigger and bigger. I think to some extent the border is coming down. People are mobile. We can have some gap—I'm not saying we have to be as low as the Americans—but if the gap gets ever larger, I think we put ourselves in danger in terms of retaining highly skilled people in this country and attracting people from outside the country here. So we don't have a total degree of freedom in these matters. We have some degree of freedom, which we should use innovatively and inventively, but we can't let ourselves get unduly out of line with levels of taxation south of the border.

The Chair: With that, you're out of time.

Mr Christopherson: Thank you very much for your presentation. I've enjoyed it, probably more than the Tories have, I have to tell you. They had a United Steelworkers—

Interjections.

Mr Christopherson: Oh, calm down. Boy, you guys are good at dishing it out, but you can't take it.

Interjection.

The Chair: I won't entertain any cross-discussions.

Mr Christopherson: Fair enough, Chair.

Interjection.

Mr Christopherson: We're going to get a net for you.

Mr Arnott: We hope so.

Mr Christopherson: Yes, his own colleagues say "We hope so." Everybody knows John O'Toole.

To be serious, though, it was interesting that before lunch we had an economist with the United Steelworkers who emphasized again the importance of the US boom in terms of our exports and the implications for Ontario, in particular, and all of Canada. Of course you come in this afternoon. The government would like the world to be that it's their policies alone that are the reason for the boom that we have, and there aren't a lot of economists and others who speak publicly on economics who side with that. That's why they didn't continue that line of questioning with you.

Most people do recognize that it is the main driving thing, and I think the government would be wise to stop trying to defy gravity and just acknowledge that has happened, rather than trying to convince everybody that

night is day and black is white. This is not like the naming of one of your bills, where you can just call it whatever you want regardless of what happens. We've got the rubber hitting the road here.

I wanted to ask you a couple of questions. You had mentioned the surplus under this rosy scenario, and we know how often that usually happens, but the figure you gave was roughly what, under the rosy scenario?

Dr McCallum: Assuming that the current estimate of a \$1-billion deficit this year is right, the number would be \$4.3 billion in 2002-03. It's a \$5.3-billion improvement, relative to 1999-2000. So if 1999-2000 is in balance, you'd have a \$5.3-billion surplus in 2002-03. If 1999 is a \$1-billion deficit, you'd have a \$4.3-billion surplus in 2002-03.

Mr Christopherson: Mr Mackenzie, the economist who was here before lunch, just before you, noted in his handout that if the federal government followed the proposal of Ontario's Premier to cut taxes by 20%, it would mean a loss of Ontario revenue, according to Mr Mackenzie's calculations, of \$3.4 billion. Even under a rosy scenario, that doesn't leave a lot of room for a government. First of all, do you think that's likely to be the number? I realize you haven't done the calculation, but does it sound reasonable? Secondly, if so, how do you feel about that vis-à-vis it being part of an overall Ontario economic strategy?

Dr McCallum: I said 20% would be a maximum personal income tax cut by Ottawa. I think it will be something less than that; maybe 15%.

Mr Christopherson: But that does affect Ontario revenue.

Dr McCallum: That does affect Ontario if Ontario continues as it is now, with its own tax revenue being a percentage of federal tax. But a number of provinces, including, I think, Ontario, are considering going to the tax on income. If you do that, then Ontario's tax wouldn't be immediately impacted by the federal government. So really it's up to the government to decide whether it wants to continue with the tax on tax or shift to a tax-on-income system.

Mr Christopherson: But that would have the effect of negating the impact, the thing that the provincial government has accused the federal government of doing: Every time they make some tax space, the feds fill it up. This would be the reverse of that, wouldn't it?

1350

Dr McCallum : It depends on how you look at it. It would be leaving Ontario tax rates the same. It wouldn't be increasing it to undo the federal tax cut. You'd still have the federal tax cut. But from the citizen's point of view, it wouldn't be as big if it was federal only as it would if it was federal plus provincial. It would be up to the province to decide if its priority was in that direction or in some other direction.

Mr Christopherson: Right. But they would almost need the two. Ontario would have to decouple in order to mitigate the impact of the current system if there were an across-the-board cut by the feds.

Dr McCallum: Under the status quo, the way the system works, then a federal tax cut automatically translates into an Ontario tax cut, but Ontario could decouple, as I said, by moving from tax on tax to tax on income.

Mr Christopherson: Right. Another subject, and I've asked this of a number of people and I'd like your opinion on it. I draw attention under Ontario's economic accounts, and I realize you don't have a copy in front of you. You probably know the issue, the issue of the personal savings rate. In 1992, which is as far back as the charts that the province provided go, the personal savings rate was 16.9%.

Dr McCallum: What page?

Mr Christopherson: You've got the document in front of you? Page 24.

Dr McCallum: I think I do.

Mr Christopherson: OK, great.

Dr McCallum: It's a different document, but anyway I'll listen to you.

Mr Christopherson: It's their document and I'm quoting from it. The personal savings rate in 1992 was 16.9%. At the point at which the current government took power, it was 10% even. You go to where we are now and we're at 3.2%. I've heard from a number of speakers that this is not unique to Ontario, that it's happening elsewhere. That really isn't the focus, because I wasn't looking to blame anyone for that. I just wanted to acknowledge that indeed that's where we find ourselves now.

With so much emphasis being put by individuals and families on the value of their portfolio—"unrealized wealth" is what Mr Mackenzie called it—whereas in the 1920s and the ramp up to the Great Depression, the stock market crash in October 1929, part of the cause was people buying further stocks on margin. Then when the value of the stocks dropped and the margins were called, they didn't have it, ergo personal bankruptcy and all that happened.

Because there are laws that prevent that now, Mr Mackenzie was pointing out that the record level of personal indebtedness is sort of the 1990s version, or could be the 1990s version, of what we saw in the 1920s, whereby they can't borrow against the paper value of the stock to buy further stock, but families and individuals can borrow money and go into debt based on the expectation that money would be there.

With such a record low personal savings rate, if we run into the bubble bursting, where could that leave us and where are some of those individuals, from two perspectives: one, those boomers who are looking at their RRSP mutual fund portfolio to provide them with the planned retirement they're hoping for; and two, with such a low savings rate? What does that mean or could that mean in terms of a domino effect on individuals and families right across Ontario and Canada?

Dr McCallum: I certainly agree with you that you can't blame the government for the low savings rate, because it has happened across the country and the continent.

Mr Christopherson: Right.

Dr McCallum: I think it has happened partly, especially in the US, because of the booming stock market. People feel less need to save because their paper wealth is going up so much. In Canada there's some of that, but also because of our declining take-home pay people save less to maintain their standard of living.

You're asking me really what's going to happen if there's a stock market crash. The answer I gave before is the same as I give now. It would slow the economy but it wouldn't throw us into recession. A study by the Federal Reserve System—you know, the mighty Alan Greenspan—suggests that the wealth effect out of stock market wealth is quite low. If you lose a dollar of stock market wealth, your consumer spending only goes down three cents out of every dollar versus 12 cents if it's real estate wealth. The reason for that is partly because the distribution of stock market wealth is extraordinarily unequal; 1% of Americans own maybe 40% of the stock market. The other reason is that it's volatile. People don't respond as much up or down to changes in their wealth when it's very volatile.

If you believe that, then even a very major stock market correction—it will have some effect in raising the savings rate. You're right. People will consume less. The question is, how much? These studies suggest it wouldn't have a major impact. I think the best parallel is 1987. If you think back to 1987, there was a big stock market correction. The Federal Reserve lowered interest rates, and the economy kept chugging along. So it wouldn't be good if the stock market crashed, but I don't think it would throw us into a recession. I think it would slow growth somewhat.

Mr Christopherson: Is it fair to say, though, that it could be a disaster for tens of thousands of families who are planning on the value of that portfolio to provide for their retirement?

Dr McCallum: Yes, it would certainly hurt some individuals. It depends how much it corrects itself and how long the downturn lasts. Some of the high-tech Internet-type stocks, by any conventional measure, are very, very high. The stock market correction could be concentrated on those kinds of stocks. If you are heavily concentrated in terms of your wealth in those kinds of stocks, it's highly risky. If it drops a lot, you lose a lot of money, no doubt about it.

Mr Christopherson: You mentioned the declining incomes. The next presenter will, I assume, be referring to a report she did, *The Growing Gap*, that talks about the discrepancy between the very wealthiest in our society and the very poorest and the fact that during the recession of the early 1990s—I'm not asking you to comment whether you agree on it or not, but during that recessionary time the policies of the NDP government actually closed the gap. Here we are in the biggest economic boom we've ever seen in North America, and the gap is getting wider.

I just wondered about two things; first, how you feel about that in terms of what it says about the sustainability

of continuing to see an increasing gap between the very, very wealthy and the very poor. Second, if you were of a mind to do something about it, what would you do to close that gap?

Dr McCallum: One thing I like about Canada is that we have far less gap between rich and poor than the Americans. In the last decade, for technological reasons and globalization and all that, there has been a very big increase in inequality of pre-tax income. Think of the pay of sports stars, the head of Disney, Bill Gates etc. Pre-tax income inequality has gone up a lot in both Canada and the United States. But when you're doing our tax-and-transfer system, the transfers to lower-income people and the progressivity of the tax system, up until a few years ago I don't think there was any significant increase in inequality in Canada. More recently I think there has been some, but it's been very little relative to what's gone on south of the border.

The way the world is going, over which Canada has no control, with changing technology, internationalization etc, there is this trend towards greater income inequality. Our tax-and-transfer system offsets some of that. Again, it's a question of balance. You can't offset all of it or else you'd have to have punitive taxation of higher-income people. Canada is not a prison; a lot of them would leave. It's a question of balance. I think we have offset a fair chunk of this increased inequality, certainly not all of it but more than has happened south of the border.

Mr Christopherson: We would argue that the tax cuts the government has implemented actually exacerbate that, because it is the very wealthy who would benefit given the progressivity of our current tax system. So when you go in reverse, make tax cuts, those who earn the highest amount receive the biggest dividend. Arguably, that is exacerbating the inequality between the very wealthy and the poorest in our country.

Dr McCallum: Actually, isn't it true that for any income you have over \$80,000 you don't really benefit from the 30% tax cut because of the fair health levy or whatever it's called?

Mr Christopherson: There's still enough gain for the very wealthy.

Dr McCallum: So the very wealthy, any income over \$80,000, you don't really benefit on the part of your income that's over \$80,000. Is that correct?

1400

Mr Christopherson: No. They would like you to believe that, but all the numbers and all the stats show—

Interjections.

Mr Christopherson: No. Get away. Here you go, writing titles of laws again.

The Chair: Let's have some order on the floor.

Dr McCallum: I believe that's the case, but I can't swear to it.

Mr Christopherson: Fair enough.

The Chair: That completes your time. Thank you very much on behalf of the committee for your presentation. It's been very informative.

Dr McCallum: I just notice that my tax for Ontario hasn't gone down 30%.

The Chair: Thank you very much.

Dr McCallum: And I shall send you that information?

The Chair: Yes. Thank you.

CENTRE FOR SOCIAL JUSTICE

The Chair: Our next presenters are the representatives for the Centre for Social Justice. Welcome. Could you please state your name for the record? You have one hour for your presentation.

Ms Armine Yalnizyan: Thank you very much. My name is Armine Yalnizyan and I'm here representing the Centre for Social Justice as their economist. Thank you for being so punctual, by the way.

First of all, I want to very much thank you for the opportunity of addressing this group. It's a great privilege to have been able to do the work that I've been doing in the last couple of years. The Centre for Social Justice is the new organization that has come out of the Jesuit Centre for Faith and Social Justice. The Jesuits, as you know, have a long tradition of doing work on economic as well as social justice issues.

I've been very privileged in being able to do some of the work with them, for two reasons, first of all because it's an area of economics that is rarely looked at: income distribution. Often we look at economics in terms of dollars and cents and rarely look at the impact that those changes in dollars and cents have on people's lives. Secondly, it's a great privilege because for me personally it permits me to marry my Christian faith with my profession, which is quintessentially secular. That's important. I know we've just been listening a lot to what has been happening to stock markets and whatnot, but all of us here around this room are somehow connected to a sense of community. The thing about Christian teachings, not only the gospel but also the scriptures, is that we are constantly called by this higher authority to build a community that comes together to do the will of God. Of course that's the great challenge for us as Christians in this pilgrimage, to figure out what is the will of God.

Quintessentially for Christians, the issue of faith is about a willingness to remain engaged. It's not about living without doubt or questions. I see institutions like this particular group, this committee, and the democratic process as a whole as being reflective of that same sort of process that we're called to through scripture and through gospel, which is a willingness to remain engaged—not without doubt, not without question, but a willingness to try and fumble our way towards something that's a bit better for everybody. It's in this spirit that I make my presentation to you, with that preamble.

The important thing I want to raise our attention to in the process of my submission to you is that we have come through a remarkable period in the last decade, one that has brought us through a very deep recession as well as a very rapid recovery. Part of our goal as forensic statisticians is to discover what's the net result of this

radical transformation of the world in which we live, as defined by the labour market.

We're told that the changes we took part in—and remember, it was a leap of faith we were asked to take about a decade ago, that free trade would improve prosperity for everybody; that if you got governments out of the way by privatizing some of the things that governments deliver, as well as deregulating the market to make it easier for businesses to perform in their best capacity, we would all be better off. Part of our job is to just take a look at the evidence: Are we all better off? It's for that reason that I'm going to be taking us through a walk, in part, of what happened over the course of the 1990s—just strictly what's the evidence on that leap of faith we all took.

But clearly this particular committee is most interested in what has happened in the last few years of economic growth. So first of all, I want to say that what I am going to try and present is based on this period 1989-97. Why 1997? Because we have no income statistics that go beyond 1997. I'm presenting you with the most up-to-date information we have on the distribution of income.

I know that in Mr Eve's presentation he referred to rising disposable incomes. Indeed there are rising disposable incomes in the system since 1997, but it tells us nothing about the distribution of those incomes and how that is finding its way right down to the bottom. Don't forget this whole thing was about, "Prosperity will trickle down to everybody." So part of our test is, has it trickled down to everybody?

The second thing I want to say is that the universe I'm looking at here is about income for families. I'm not looking at wealth. The way I'm defining prosperity, first of all, is what's our ability to make a living, to begin with. Part of the equation is, of course, assets, and this report cannot touch that because in fact we have no up-to-date data on assets in Canada. The last time Statistics Canada did a survey of assets and looked at the distribution of those assets was in 1984. We know there is a study upcoming somewhere down the road in the year 2000, but we have no information since 1984 as to the distribution of those assets.

Finally, the unit of analysis that I'm looking at is incomes of families raising children under the age of 18. You may ask, why choose that group? Statistically speaking it sits in the middle of the entire distribution of incomes. At one extreme you've got unattached individuals whose distributional curve of incomes is primarily much further down the spectrum. At the other end of the spectrum you've got families with adult children or with no children and their distributional curve tends to be higher up. Then you've got seniors. Seniors are a very special case because they've got pensions and all sorts of other things in the mix, so it's not telling you a lot about how the market is interfacing with our ability to make a living.

Families raising young kids are in fact smack dab in the middle of that distribution, so they're kind of a touchstone for what's happening to the whole economy. But

maybe even more important than its statistical significance is the fact that these are the families that are raising the next generation of citizens. It's in this context that individual families with better or worse economic opportunities and better or worse systems of support are going to raise the next set of leaders and followers in our society, so that's why I chose that particular group.

Let's take a look at the experiment. More market, less government: Does it deliver more prosperity? It depends, of course, on how you define "prosperity." If you define it strictly in terms of dollars and cents, it's indisputable. There is more money in the system. Over the course of the 1990s Canada's system of national balance accounts shows that there's about \$1.5 trillion more in the system in the form of assets. As I indicated, we have no way of measuring how those assets are distributed, but there sure is a lot more money sloshing around.

What's fascinating is that that increased prosperity did not translate its way into the pockets of Canadian families, Ontarian families in particular. What's the most fascinating is that there wasn't a single income category in Ontario that was ahead in terms of earning its own living either measured by what the market strictly delivers in terms of wages and earnings from salaries as well as self-employment or in terms of after-tax income. Every single income category dropped compared to 1989. Clearly, in this period, 1989-97, there was not increased prosperity as defined by people's ability to make their own living and support their own children.

What was startling to me as an economist was that Ontario, which is the economic engine of this country—it represents about 40% of the Canadian economy and had one of the strongest rates of economic growth in the country—was the place where the slide to the bottom was the most rapid, and I'm including provinces like Newfoundland and Nova Scotia. The slide to the bottom was more dramatic in Ontario than it was in the Maritime provinces, both in market terms as well as after-tax terms. That to me was startling.

It was also true that the top 10% of families raising kids were some of the biggest losers in this country, again only outpaced by the losses for the top 10 in Newfoundland and Nova Scotia. That should give us cause to pause. I can't explain all of the reasons why this happened, but I can certainly present the evidence. So it's not just about the poor getting poorer, but literally everybody in the income spectrum took a hit in terms of earning power as well as after-tax incomes in that period.

1410

Though I'm focusing on the 1989-97 period in terms of incomes, I just want to flag, of course, that we don't think of our incomes every moment of our lives. Part of what we think about, especially when you've got kids you are trying to raise, is the nature of supports you've got in your system, as came home to us very graphically when that young kid was rushed to the emergency room with an asthma attack and his parents couldn't get him in. I bet tax cuts was not at the top of their mind when they were trying to get services.

This is an era in which not only have incomes dropped but also the range of supports that we have to raise our families has been eroded and is in further jeopardy. I'm not going to deal with that part of the context. I'm saying that just looking at incomes is only part of the story about what this period has been about. Again, in overestimating the role of the market to deliver more prosperity for all citizens, my assertion is that government has neglected its own very critical role in providing security for everybody. It isn't just about more prosperity. Surely part of prosperity has to translate to more security for people.

What I want to first of all do is walk us through the slippery slope and the degree to which families in Ontario have actually fallen to the bottom. Both in market income terms—this is page 2 of the brief—and in after-income terms there were more families who found themselves at the bottom of the distribution than in the middle or at the top over the course of the period.

There's often a lot of dispute as to whether—when you talk about the poor, it's always a relative measure. So my idea was to hold things constant at 1989 levels and see how we compared by 1997, taking into account that we went through both recession and recovery. When you do that, you see that the very bottom decile grew the most rapidly—deciles are 10% slices of the population—and that our population of families with after-tax income thresholds of less than \$40,000, \$39,500, actually grew to 39% of the population. Let me try this out again, just in case this is confusing. In 1989, 30% of the population of families raising kids had after-tax incomes of not more than \$39,458. That's the trigger after which you end up being in the 40% of the population. Average incomes are much, much lower than that threshold. I'm just saying that's the cut-off.

Using that same cut-off in constant dollars in 1997, we find that 39% of the population has fallen under that threshold, there are fewer families in the middle, and there are even fewer families at the top. As you can see from the numbers that I presented here, all of the incomes are falling, both in market terms and after-tax terms. So not only are there more people at the bottom, but their incomes are falling, and there are not more rich. So as a social experiment of delivering more social prosperity, the evidence at least raises questions that it was worth doing this.

I want to point us to page 3 of the brief. There was some discussion with the previous presenter about whether after-tax income inequality is growing, and I heard him say things that I have frequently heard said about growing income inequality: first of all, that it is inevitable; second, that economic growth is all we need to get rid of it. What the evidence shows is that growing income inequality is not inevitable even under poor economic conditions, and income inequality, again the evidence shows, is not necessarily reduced by a good dose of economic growth. I don't want it to appear that I am against economic growth. I'm just saying it's not the only critical lever for reducing income inequality.

Marketing outcomes definitely play a strong role, but at the end of the day the critical role remains in the hands of government decisions with regard to how much inequality is acceptable or unacceptable.

I have a sheet called "Amazing Facts," and you can see by just looking at the chart on the other page—what the gentleman previously was saying is that there is growing income inequality in market terms, just in people's ability to earn their own living. You can see in the top chart on page 4 that that is not true. In fact, when economic times start to recover, more people at the bottom get jobs, right? The quintessential hallmark of recessionary periods is that people lose jobs, so some income is better than no income. Market income inequalities in fact fell in Ontario very rapidly in the recovery period. What is fascinating by this story is the second chart on page 4, which is slightly below it, which shows that contrary to what you would expect, in the recessionary period the after-tax income inequality did not rise despite the fact that more people were out of work. In fact, it fell. Yet in a period of economic growth which did reduce market inequalities, we seemed to be unable to actually cash in on that market trend, and after-tax inequalities ballooned.

The question was raised as to whether tax cuts were the culprit. Indeed, it's partly tax cuts but it's also transfer cuts, because if you're cutting supports to the people at the bottom as well as cutting taxes—I'm sorry, the evidence indicates that the combined effects of all the cuts as well as transfer changes have benefited the top income groups the most strongly. We can talk about the numbers later, but they do include the total combination of all surtaxes, all health levies, all income taxes. Clearly the tax cuts most strongly benefited people at the top of the income distribution. Transfer cuts most strongly affected people at the bottom. Presto bango, you get growing inequality even in a time of economic growth.

The next page is "Making the Links." I just want to bring us back to the chapter and verse of what this whole period has been embedded on, that there are certain causal links that lead to greater prosperity for everybody if you get economic growth, so clearly all you have to do is boost the rate of economic growth to make things better for everybody.

The four links in the chain are: Once you get more economic growth, you get more people working; once you get more people working, that leads to higher incomes; once you have higher incomes, because there are more people working at the bottom, you have less market inequalities; and once you've got market inequalities, you're in from the races and you've got less after-tax inequality.

Looking at the evidence for Ontario, you don't see necessarily that any of these links in the chain hold. First of all, did economic growth mean more jobs? Clearly in the 1998-99 period you've had more jobs. I've tried to update these numbers, but you have to understand that for me to walk you through every link in the chain, I have to end in 1997. We know nothing about the distribution

of income after that. But I knew there were concerns about how the economy has performed in the labour market in the last few years, so I wanted to run some numbers by you.

Yes, it's true that more people are working. That's indisputable. There are more jobs in the system. But the fastest-growing trend in the labour market of the 1990s has been self-employment, not employment. Though that has been reversed in 1998 and 1999, I want to caution you that the number of temporary jobs is growing at a faster rate than we've ever seen before, and the number of contract and term jobs has grown at an unprecedented rate.

Why is this important? Because even though you've got more people working, it doesn't mean that you've necessarily got more economic security. You may in fact have more economic insecurity. You could have lots of people working full-time but they don't know if they've got a job next month or in six months' time, which is devastating for families that are trying to raise young children.

More jobs don't necessarily mean high incomes, according to the data. It does depend on where those jobs are being created. Are they being created at the bottom of the spectrum? Are the jobs that are lost being replaced by jobs further down the income spectrum or are they being created in the middle and upper ends of the spectrum? So part of the story is, do more jobs create more income? The answer to that question is, first of all, are the jobs that are being created more lucrative than the ones that were lost? Secondly, it depends on whether those jobs have longer or shorter hours or the same number of paid hours of work.

Clearly in Ontario we have had a period of massive restructuring of economic activities. The 1990s have been predicated on downsizing: downsizing of the public sector, downsizing of major private sector players. The merger, downsizing and reorganization of activities has meant less jobs in those big firms and certainly the creation of more private sector full-time jobs, indisputably, because people are being spun off from the core businesses. This has led to fewer stable jobs, more contract and precarious work, as seen in the previous comments, and greater downward pressure on wages. So it's not a surprise that even though we've got a lot of the hallmarks of an economic boom, we appear to be sliding down the income spectrum.

The third point is about market incomes rising the most rapidly for those at the bottom of the income spectrum. Indeed, market incomes in a period of economic growth rose most dramatically for people at the bottom of the spectrum. As you'll see, the number is a staggering 244% increase. But look at the actual numbers we're talking about. Average family income of the bottom 10% rose to a high of \$1,962 worth of earned income by 1997. This was a huge erosion from their position in 1989, which was an average earned income of just over \$7,000. By the way, all this is in constant dollars, controlling for

inflation. It's even worse than it was in 1984, at the height of the recession.

1420

Market incomes for the richest 10% of families also fell in the period between 1994 and 1997, and that is the only upper-income group to post a decrease in market income. That was a bit of a mystery to me, but we can discuss some of the things that might have led to the top 10% dropping.

Every other income decile which is the middle of the spectrum was posting very modest income gains, in the order of about 2%, in this period of economic growth. Of course, these gains come nowhere near restoring what they lost over the course of the period, because the gains are on the order of hundreds of dollars and the losses are on the order of thousands of dollars.

The after-tax income gap: Even though, as I mentioned, we have a smaller gap between rich and poor in market terms, we have a wider one in after-tax terms. Why? We cut taxes and transfers in this province between 1994 and 1997. You can see the numbers; they're quite staggering. The single biggest change was the average amount of transfers to the bottom 10%. You know what I mean by transfers, don't you? They are income support programs, primarily social assistance for this particular group. All transfers for families raising children under the age of 18 would be unemployment insurance and social assistance. In 1989 it would have included family allowances, or what was becoming the child tax benefit. By the end of the period, that amount gets captured in the tax side of the equation, because it's the child tax credit. So we're really looking at only two changes, unemployment insurance and social assistance. And the big change from 1994 to 1996 for that bottom decile was social assistance. They are paying less taxes too. The tax cut apparently reached them, and they are paying an average of \$28 less a year than they were in 1994.

The top 10% also received less income from transfers. On average they lost \$17 dollars a year from transfers. Their gain from the tax cuts was \$3,384, on average, at the top.

In the middle of the spectrum, you see there have been marginal increases, and in some cases no increase in the middle of the distribution. Taking a typical middle-income decile, you see that average after-tax incomes budgeted just a little between 1994 and 1997, arriving at not even \$44,000. But that is 8% lower than it was in 1989. These families were actually paying more income tax in 1997 than in 1994, probably because they were working more. But they received \$802 less in income supports.

What is the upshot in this period of growth? Forty percent of the population at the bottom saw reductions in their disposable incomes, as did the top 10%. The modest gains in disposable income were restricted to the upper 40%, excluding, of course, the richest. Again, just to focus our minds on the value of further tax cuts, the bottom 10% of families raising children—and this is the

most recent distribution data that I have—pay an average \$59 a year in provincial and federal income taxes. So the amount of tax scope you have to do something significant for people at the bottom is quite small.

This brings us to the role of taxes. There are two sides of the tax cut discussion. First of all, the economic theory I laid out for you—economic growth leads to more people working, leads to better incomes, leads to less disparity, which means more prosperity for all—is mainstream economic theory. Where we go rightward politically is where we assume that tax cuts are the primary lever for “goosing” that rate of economic growth, that that's the best way of getting a higher rate of economic growth. Again, the evidence does not support it.

If you take a look at the changes in this country in the period 1994 to 1997—and I choose the period 1994 to 1997 because by 1994 every income class of every province basically shows either an improvement or at least a stagnation. Generally, it's a recovery period, a meaningful recovery period for families, and GDP, gross domestic product, is definitely growing in this period.

When you compare the provinces that were growing the most rapidly in this country, Ontario does belong to the group of provinces that grew the most rapidly in 1994 to 1997, but it is at the bottom of the pack. You have four provinces that grew fairly strongly, you have four provinces that grew very weakly and then you have Newfoundland, which was a basket case in the period.

The four provinces that grew strongly were, in order of importance, Saskatchewan, Alberta, Manitoba and Ontario. Now, of the top three performers, only one of those provinces had tax cuts. There is something going on in this economy which is connected, perhaps, to the resource industry, energy resources in particular. It's quite peculiar that the three provinces where oil is sitting underneath the ground are the ones that grew the most rapidly between 1994 and 1997. That, I would contend, is less the advantage that Mr Klein gave to his citizens than the advantage that God gave to the citizens by placing oil underneath the surface of the soil.

Again, there is no evidence that tax cuts are the primary booster of economic growth. I'm not saying that they don't play a role. Don't get me wrong. I'm not saying that tax cuts have no positive influence on economic growth, but to say that tax cuts are the only way you get economic growth and in fact you get the highest rates of economic growth if you introduce tax cuts simply does not hold water in terms of the evidence. It bears mentioning also that sometimes less is more; sometimes less is just simply less.

This is, of course, avoiding the other part of it which I introduced at the very beginning: paying for tax cuts. Of course, they cost something. Tax cuts cost something to the system. So there's a trade-off. The trade-off we have agreed to make by electing governments that have told us they are going to introduce tax cuts is deep cuts to income supports and other forms of government expenditures. These cuts disproportionately affect the incomes of

the bottom half of the population, and they affect the quality of life of all of us.

I guess the question I would pose to the finance minister, were he here, is this: He said in his brief to this committee yesterday that the tax cuts are the best public policy that can be pursued. Based on the evidence, I would have to question that they are indeed the best public policy that governments can pursue for us all. The heart of what I'm suggesting is that governments are directed and obligated to look for the best thing that can be done for all of us, not just for a select few.

The main message of this submission is that we live in a very unusual time, because even though we are living in a period of plenty, we have poverty amidst plenty. Even though we are living in a period of unparalleled prosperity, we also have unparalleled economic insecurity.

The previous presenter was talking about the Federal Reserve's Alan Greenspan's commentaries on raising interest rates. It's interesting that just a few months ago, Mr Greenspan was saying there were no inflationary pressures in the system and, of course, his goal, just like the Bank of Canada's goal, is to maintain a lid on inflation. There are no inflationary pressures in the system. Why? Because there is great wage insecurity out there and there's nothing pushing up the wage system.

The American economy has seen now, I think, 101— or some crazy figure—months of economic growth, and the average wage increase in Silicon Valley was reported in the Financial Post today, of all workers in Silicon Valley—the thing that we keep pointing to as being the best—the average wage increase in Silicon Valley, in the United States, was 5%. That goes from the bottom to the top. That's 5%. There is no wage pressure, because there's economic insecurity everywhere. I want to get that across to you as clearly as I can.

The 1990s may have ushered in more prosperity; they have also ushered in more insecurity. Prosperity is not the only objective for governments; it has to be also more security. If you're awash in money, surely we can create more security. Surely the best governments can do can be something more than simply getting out of our way by providing us tax cuts and actually increase the security of things that people need regardless of what their income is, whether that's basics like housing, health care, education or roads, for heaven's sake. We all need certain basics. I think we would not contest that there are basic things that we need to provide.

I'm hoping that in the spirit of the discussions that these types of committees provide we can actually have some discussion about the evidence, as well as options for actually improving the prosperity and the security of all residents of Ontario.

I thank you very much for your time.

1430

The Vice-Chair (Mr Doug Galt): Thank you for your presentation. It's much appreciated. We have about 30 minutes left, 10 minutes for each party, starting with the official opposition.

Mr Phillips: I appreciate your comments. I carry around this document, Ontario, Canada: The Future's Right Here, because it's sort of what the government tells their business friends at the Albany Club and it's useful to—

Mr Arnott: The investors too.

Mr Phillips: And investors, sure, exactly. That's exactly it. Here are the selling points for Ontario:

"Since 1991, Ontario's unit labour costs, measured in US dollars, have decreased 17.5% compared to a 15% increase in US costs. Ontario's hourly labour costs range from \$4.71 to \$13.65 lower than competing jurisdictions in the US. Major wage settlements have been 1% for the last five years. Wage growth in the next few years will be constrained by unemployment levels and continued public sector restructuring."

It goes on to other things. Your numbers, I think, kind of confirm that, that one of the big selling features of Ontario has been the significant wage constraint among hourly waged people. If you'd had a 4% increase in your salary, that would have been equal to what the tax cut is, 1% a year. It is somewhat of a comment on your document, which, as I say, is stimulating, to try and determine why average incomes haven't gone up substantially in spite of "the tax cut," particularly vis-à-vis our major competitors. It would appear to be that the Ontario wage rates have been substantially constrained versus other jurisdictions. That's just going on the basis of what this document says.

Has your organization looked at that? Do you have any comment on what has happened to wages in Ontario vis-à-vis our competing jurisdictions?

Ms Yalnizyan: In last year's Growing Gap report that I published, I kind of decomposed the story of inequality into what's happening to individuals, because that's how the labour market works, wage rates, what's the value of your work—right? That's an individual phenomenon—to what's happening to families, because we have all sorts of survival tactics. When our wages are falling down, we do all sorts of creative things because most of us live in families. There is a discussion of wage rates in this thing, but it's a little bit dated, given what you're looking at.

I did not look at wage rates for this particular submission; nor did I look at it for the Great Divide document that I just released last week, which is Canadian data. So I can't address specifically your comment about what has happened to wages.

What I can clearly say is that the period between 1989 and 1997 has done some kind of economic resorting of opportunities in the labour market, where there are fewer of them in the middle and the top of the spectrum and more of them at the bottom, to which I attribute primarily the fact that we have been engaging in a massive project of restructuring our economy, getting governments out of the way, privatizing services, downsizing services, downsizing the public and private sectors, which has led to the increase in casualized employment, contract employment, temporary employment, part-time employment until very recently, but even the full-time has been on the

casual side of the ledger, and downward pressure on wages. It's completely consistent with what's happened to this slide to the bottom for family income.

Mr Phillips: By the way, I find this a very helpful document because, as I say, it kind of—

Ms Yalnizyan: Actually yes, I know the one you're talking about. One of the things I was thinking of bringing along with me today, which I did not bring along with me, was an article from the fall of 1995, just after the election, where the Premier went to the United Kingdom to rustle up some business, to attract investors. And of all of the selling points that were mentioned, not one of them included the proposed tax cuts for which he was elected apparently. What he was selling was the quality of the labour force; the proximity to the American market, which was the fastest-growing market at the time, in 1995; location, location, location, as they say among realtors; and the fact that this was a very secure and friendly environment in which to relocate top executives. There was not one mention of the tax cuts as the selling point to investors. It's interesting how that flavour has changed.

Mr Phillips: It was interesting to me that we got this document one day and, on my desk virtually the same day—this is a letter from Minister Palladini of November 26, 1999. He sent us a magazine, Ontario: Canada's Economic Powerhouse, and said we can all be proud when an independent publication confirms that Ontario really is the best place to live, work, invest and raise a family.

My point is that the document that he sent us quotes the two major reasons why companies should invest in Ontario. Well, it says "two of the chief reasons," and I think they suggest these are the two most important reasons. One is "the province's abundant supply of skilled workers and highly competitive overall operating costs, including labor costs."

"Education attainment here is among the best in North America

"First-class education in Ontario is highly affordable and accessible."

That was the number one point.

Number two: "And the second factor is the Canadian benefits system, which is a publicly funded system. Employers pay less for such things as health care than they do in the United States A typical company operating in Ontario might find its employee benefits bill slashed to one-sixth of what it'd pay south of the border."

The reason I raise this question is because there is no doubt that in the land tax cuts have a lot of political cachet, as they say. My concern is that if indeed those are the two highly competitive reasons, as we move to lower taxes to compete with the US there is a risk, in my opinion, that we can no longer afford the two fundamental things that have got us here: our unique education system, where we have the highest post-secondary attainment in North America, and the way we fund health care. We run the risk of chasing a solution that leads us to a significant problem.

I wonder if you'd care to comment on whether that's the experience of your organization, that those are the key reasons, and what advice you have for the committee on that.

Ms Yalnizyan: I guess three points. First of all, if we've learned anything by looking at the evidence from 1989-97, it is that we were promised greater economic prosperity if we did all of these things, which included moving ahead on these agendas that lead to things like more tax cuts to attract investors, and what was the outcome of that promise? Actually declining economic prosperity for virtually every income group, from poorest to richest, over the course of the period in Ontario, the economic powerhouse of the nation. That's point number one.

Point number two: Now we are being offered tax cuts—you're right that they have great cachet and are parlayed into having great cachet because they touch the Achilles' heel of everything this submission is bringing to your attention: economic insecurity and, frankly, a great deal of political cynicism. Because when you keep endorsing party after party that tells you, "We're going to give you more prosperity. If you just tighten your belt, if you just follow the recipe for more economic growth, you'll be better off," and continually you are worse off, and, "Now the best thing we can do for you is give you tax cuts, because there ain't no market solution to increasing prosperity," then there is a certain malaise in the land, that if the best one can do economically is to take tax cuts, "Well, give it to me."

The fact is that poll after poll shows that if you ask a Canadian or an Ontarian, "Do you want a tax cut?" anyone is going to very enthusiastically endorse the tax cut. It's like saying, "Do you want more money in your bank account?"

If you ask an Ontarian or a Canadian, "Do you wish your government to pursue tax cuts as the primary priority for you, or a range of other things?" and it can be a range of a number of things—since 1997, poll after poll has listed all sorts of different things, including tax cuts—tax cuts appear consistently at the bottom of the list, as recently as December 22, 1999. I frankly found it interesting that tax cuts are still at the bottom of the list. People were more concerned about health care on December 22, 1999, than they were about tax cuts. The second-greatest concern at the height of the economic recovery, when we are in boom times, when we have arrived, is unemployment. That tells you something about the economic insecurity that we're talking about in the submission.

1440

Clearly Canadians as well as Ontarians are looking for something more that their governments can offer them than simply more cash in their pockets, because you can get more cash in your pockets but that family raising children and ending up paying for every child they're raising under the age of 18 is going to have to pay more in tuition to get that crack at the labour market that eve-

rybody says you need. For somebody studying to be a professional you're spending now—

The Vice-Chair: I'm going to have to step in here. We're well over the 10 minutes for the Liberals' questioning. My apologies. We'll move on to the third party for their questioning or they may run out of time.

Mr Christopherson: Armine, thank you very much for your presentation. I think it's been interesting that since the first report was published through to the recent one you published last week, I haven't been aware—and if someone knows of them, please show me—where anyone has refuted the statistical analysis. They may disagree with some of the interpretations, which is fair, but no one other than maybe the finance minister—when he was here yesterday and I said that incomes are falling right across the board, he said, “No, that's not the case.” On every argument that I offered up to him he just plain disagreed with the premise, and yet the facts are here.

I'm sure we share the same frustration in constantly reading in the mainstream media over and over the same sort of pushing of the right-wing viewpoint. To be fair, it probably underscores the lack of ability on the part of the opposition parties to provide a credible alternative that people would feel is credible and at the end of the day does indeed make for a better life. But reports like yours make a huge difference and I certainly hope you and your colleagues don't become so discouraged over the lack of attention at this point and drop off, because we need you in there providing these kinds of things. Lay people like myself and others can't do it; we need experts like you. It does make a huge difference, so thank you for your efforts.

I want to just ask a simple question straight up. Given all that you've criticized about the result of the right-wing agenda that's been in power here in Ontario, what sort of things would you do differently? What recommendations would you make very clearly and specifically to this committee in terms of how you think, if you had the opportunity to design it, a new budget ought to look to reverse some of these things and undo some of the damage that's been done?

Ms Yalnizyan: I think governments at all levels, federal and provincial, need to take a look at this very historic moment that we're sitting on. According to your forecasts you're about one year away from a surplus situation, or at least not having a deficit situation. We've got a surplus situation at the federal level and in many of the provinces. We're sitting at a historic moment that we've not seen before for a very long time, a period of rising economic prosperity with no recession in sight. I think we've got an obligation to do something other than to just get out of people's way when there is so much more economic insecurity.

From my perspective, which again is rooted in my Christian faith, which stresses not accumulation but livelihood—that is all of the teachings. Both the gospel and the scripture are about having to attend to livelihood. Accumulation is not the issue. If we cannot provide livelihood for people and make sure that people can

survive, we've got a problem in the midst of all this prosperity.

What are the basics that we all need? We all need, in a country as cold as this, housing. It has to be warm and it has to be dry. If in a period like this we cannot provide adequate housing for everybody, we've got a problem on our hands. This is not of course an issue just for the provincial level of government; I'm talking about all levels of government. I'm not talking about political parties; I'm just saying that's your obligation as leaders of people in a period of such economically prosperous times. We've got an obligation to do something to make sure everybody's got decent housing in this country.

Second, health care: It's incomprehensible to me that we are at this point in our country where health care appears to be in jeopardy, when we're sitting on a surplus, when we've got this boom time and we've got families that are stressed in both directions in terms of providing elder care as well as care to young kids.

I think there's a lot of mileage we can do in improving and restoring our health care system so that it is not a question of whether it is going to be there or not. It is there. It is a reliable public support for anybody of any age who gets sick, regardless of your income. That's surely one of the treasures of an industrialized, modern society, that that's the type of public service you can rely on without question.

Finally, education. We're being told—this has been going on now for over 10 years—that without post-secondary education you're toast if you're trying to find a job, and yet we're making it more difficult, not less difficult, for people who have the willingness to try and get an education to actually finish it. In fact, right now outside you've got people across this country talking about either tuition freezes or tuition reductions. This is one of the huge issues.

I didn't have the opportunity to take a look at this data by generation, but one of the things we did in The Growing Gap report last year was take a look at this kind of fault line that's emerging between those over the age of 35 and those under the age of 35. Listen, folks: People who are raising young kids are having a harder and harder time leaving home, getting married, having kids, let alone raising them, and it's partly because of the economic opportunities out there. If you're going to also double-whammy them by not providing them child care when they have to work at crummy jobs because those are the only jobs out there—there's no system of public supports there—and you're not going to let them get an education because it's out of sight in terms of their income abilities, what is left to take away from this next generation? Why do you think you're going to get political buy-in that we are engaged in a common project?

That is a piece of work that could be done, but my guess from the data we had last year, as well as all the hallmarks you have around you, is that young families, families with heads under the age of 35, are really the net losers out of this whole game. That's not a legacy you want to pass on.

Mr Christopherson: One of the things the government points to over and over is the number of net new jobs that have been created. I know on page 5 you make the point, "More jobs don't necessarily mean higher incomes." Looking at just the headline of how many net jobs have been created, apparently when you scratch the surface it's not the whole story. Would you underscore that again for us? The average person looks at these things and says, "Oh, well, they must be doing the right thing, the correct thing," yet your analysis tells a whole different story.

Ms Yalnizyan: If you take a look at table 8, you'll see that the long-term trend over the 1980s and the 1990s is replacing full-time work by part-time work. The rate of part-time employment continues to grow, and it has continued to do that in the 1990s, with the exception of 1998. But let us hope that when you actually reach the apex of economic recovery, you're actually creating some full-time jobs. One would hope that's the fruit of all of this.

You know, what goes up must come down, and that fundamental economic restructuring of opportunity is still continuing apace through the 1990s. Another layer that got added on top of that in the 1990s was growing economic insecurity because of the casualization of work. The biggest labour market trend of the 1990s is replacing employment with self-employment. A number of different things are adding to more and more economic insecurity.

Just to repeat what I said earlier, there may be more full-time jobs in the economy today, but more and more people, especially those under the age of 35, do not know if they will have a job in a month, in six months or in two years. You cannot raise children with that level of economic insecurity unless you're providing security in other forms, that you know you've got health care, you know you've got education, you know you've got decent housing, you know you've got child care, that the basics are covered off. Let's make a decision here about how we're going to govern.

Mr Christopherson: One of the earlier presenters, the one just before you, in fact, was making the comment that if you looked at the Fair Share health care levy, things evened out for anybody making more than \$80,000. If we look at a freedom-of-information request that our caucus received from the Ministry of Finance—these are government documents—it shows that even after the Fair Share health care levy was factored in, people earning between \$78,500 and \$83,700 still took home \$2,350 more; and between \$83,700 and \$90,750 it was \$2,510; and for those making over \$247,500 they got \$15,075.

You know the rhetoric, that what happens as a result of tax cuts is blown away when we look at the real stats and the story they tell. A lot of people will listen to the argument, "We've got to remain competitive." We know, for instance, that our minimum wage now is well below that of the Americans, and yet there they are still steaming along with the greatest boom ever in their history. In

fact the President of the United States in his State of the Union address the other day implored Congress to raise it yet again.

1450

I'd just like you to emphasize again what is happening in the families that have the lowest income right now and the hits they're taking, the loss of transfers. Could you just expand on that and give us a sense of what their world looks like right now, both in terms of the money they receive, the wages they get or don't get, the insecurities, the lack of transfers, the supports in the community, what all that means to a family now as opposed to, say, where they were when you used your reference point 10 years back?

The Vice-Chair: Thank you, Mr Christopherson. I'm sorry, time's up. We'll go to the government side, and Mr O'Toole is first.

Mr O'Toole: Thank you very much for your very compassionate presentation and information this afternoon. I would also declare myself as a Christian, and from that fundamental I think we have shared values and priorities in life—not essentially you and I—so I come at this perhaps with a different set of tools to reach a solution.

I like the premise that you started with, looking at it purely as a model of economics. It's a fine thing to do, looking at our economy and its own aggregates over the period 1989 to 1997. You would know that in that period the lag effects and the implications of those effects in the statistics you quote would pretty much curtail that to the two previous governments. In my understanding, limited as it may be—and my background is in economics; not quite to the level of yours, but that's where my undergraduate degree is—I suspect there's a lag effect, would you not agree? You can respond in that way.

A change in policies occurred which would really start showing up in the economy somewhere in the late 1997 reported income period and onward. I look at some of the implications during that period: growth in debt load, which is servicing the debt; debt interest charges. Every economist would say we were crowding out program spending initiatives. In fact, during the time of Mr Christopherson and his government, debt interest was higher than what they were spending on public education. In fact, it was crowding out their actual spending in health care. I think you could probably substantiate those numbers. So our whole standard of living was at great risk without a re-sorting out of the priorities for the province; and a complete lack of leadership federally in any consistent policy in health care and the other distribution methods through fiscal and monetary policy that they have at their disposal.

Even today it's the issue, in the current budget we're all anticipating, the built-in inequities in their social justice policy. Most important, as was mentioned here by our finance minister, is the whole issue of bracket creep. Everyone in the world has talked about it, how it really penalizes the disposable income—that's the income you've talked about—for the very group you're talking

about. They should inflation-protect that particular component of income. There are fewer and fewer people in Ontario paying provincial income tax because of the way we set the cap on where we max out those who are actually paying tax. Fewer people in Ontario are taxed provincially than they are federally.

I'm not telling you things you don't know, but I think even in the minister's statement there were other comments of how regressive the federal government is in its policies now, specifically on those working people, however you might categorize their income. Ontario workers and employers will pay \$560 more in federal payroll taxes in the year 2000 than they paid in the previous year. That's again through their policy with the redistribution of EI and CPP. These are payroll taxes, primarily, as well as the bracket creep I mentioned. This nets out into actually a tax on jobs, a tax on the economy as we see it.

If you look at the broader scale on tax policy, which may sound right wing—"A tax cut for the rich," is what Mr Christopherson would say—in fact, that isn't really the truth. The rich actually pay a higher percentage of tax, and that was said by the bank person, Dr McCallum, before you. That's the background where we may have some disagreement, you and I, even though we're starting from the same boat: "I am my brother's keeper" and "The poor will always be with you." We're from the same book, you might say, so to speak, without being trivial.

Now you did talk about another point here on page 5 of your presentation. My comments would be specific here. You talked about jobs and defining jobs, I'm not sure from what economic premise. I would ask you to define the future of work itself. That's a purely academic discussion today, defining the workweek, defining whether work is a place or a way of life. That's a very important debate going on today if you are reading some of the journal material on the theory of work.

Ms Yalnizyan: Can I address any of these comments?

Mr O'Toole: No, no, I'm heading somewhere on this. There is actually a shortage of workers in Canada, in Ontario. You could say that our governments of the past decade, federally and provincially, have been all wrong in their training initiatives. They're training the wrong people with the wrong skills. There's a severe shortage of people with technology skills today. I think in Ottawa there's some 25,000 jobs that can't be filled, and the companies are moving to the markets where the people are, Silicon Valley, wherever they are moving to. So I criticize the previous governments again in their policies of establishing the fundamentals of wealth creation; that is, training, knowledge.

Knowledge is power and power is money. You know, those are basic things. Training people to know about philosophy and sociology is very important academic stuff—absolutely critical—and a critical thinker should know that stuff. But you actually have to be able to spell, you actually have to know technical things to add value, and then once you have the academic freedom to think laterally and vertically, that's great. I think people should

have a PhD in philosophy, no problem with that, but you really have to operate some kind of system here. You have to be able to spell, you have to have some clench on numeracy and statistics, or you are actually being deskilled.

Having worked in personnel for General Motors for 10 years, and looked at the shift from knowledge-based employment to casual employment, I would challenge you that there is a job shift now and it's some risk for employers. The use of contract employment has been going on for the last 10 years. Why wouldn't you? You don't man up for the peak of job expectations, you man up for the level and you handle peak through contract or subcontracting. That's what everyone should do. The reason is because your payroll is such a significant part of your overall operating budget, especially in the public sector. So I think that as we go forward and look at our strategy and translate it into the debate that's going on today—

The issue of tuition: I have five children. Why would they pay the same tuition as somebody in engineering? Well, somebody in engineering is going to actually have some job-related skills when they graduate. In fact, they're going to be recruited. That's what I did for 10 years. And they are paying the same as my daughter who's taking history and English, which is great, by the way, but there are no jobs for her. And there's 500 in her class and 30 in my son's engineering class. Who's getting the best product here? I think it should be related to the outcomes, to the market, and that's what we've done. We've allowed the governing bodies of the universities to decide how to attach the tuition component of the real cost. Tuition doesn't cover half of the cost anyway.

So I think that shift in policy is redressing so that the dentist who's going to make \$200,000 a year or more is actually paying tuition somewhat commensurate with their ability to repay, versus my daughter or daughters or son who are taking kind of the history, sociology route which ends up basically where I'm not sure they would get a job, technically. It's good to have the knowledge, though; knowledge is important.

The after-tax gap can really be attached to some of the taxing policies we've talked about before. I have a question here—

Interjection.

Mr O'Toole: Yes, I do. I found your presentation interesting, so I listened and I was critiquing some of the fundamental points. I found a missing part here, though. In the closing part you do have an ambivalence as to whether tax cuts really work. You say that in your conclusion.

Ms Yalnizyan: Indeed, I'm not saying I'm ambivalent. I'm just saying the evidence doesn't necessarily support that tax cuts are the key lever.

1500

Mr O'Toole: I think you should stay tuned, because there are more people working in Ontario than ever before. We are competitive. We do have some differences between our tax policies and the brain drain issue. If we

make it more advantageous for the well-educated people to go somewhere else where they're going to pay less tax, obviously we won't have the infrastructure to have the economy to create the jobs for the people who just want jobs without careers.

If you don't feel the tax cut policy's working, perhaps you can explain this to the others who were here this morning, Dr McCallum and others, who recognized the importance of our own GDP in Ontario, and the important contribution—probably 80% is attributed to the actual multiplier effect of giving you a dollar. If I give you \$100 a month, you're liable to buy a car; you're liable to spend \$28,000. If I give it to a government, they'll create some program that'll never pay for itself, so there is really no multiplier effect to the same extent of giving you a dollar. My response is, can you come up with a significant recommendation—

The Vice-Chair: I'm sorry, Mr O'Toole, but your 10 minutes is up.

Mr O'Toole: No, from a recommendation I just want one observation—

The Vice-Chair: I'm sorry. Your 10 minutes are up. It was an excellent speech and a short question. We'll have to move on. Thank you, Ms Yalnizyan, for coming before us. We appreciate your presentation.

Ms Yalnizyan: Thank you very much for the opportunity. I look forward to speaking to you, Mr O'Toole, at some other point.

WARREN JESTIN
ARON GAMPEL

The Vice-Chair: Our next presenter is Warren Jestin, senior vice-president of the Bank of Nova Scotia. Would the next witness now come forward.

There is an hour set aside for presentation, questions and answers. The time left over after your presentation will be divided between the three parties equally.

For the record could you just state both your names so they are recorded, please.

Mr Warren Jestin: I am Warren Jestin, senior vice-president of the Bank of Nova Scotia.

Mr Aron Gampel: Aron Gampel, vice-president, Bank of Nova Scotia.

Mr Jestin: Thank you very much for giving us the opportunity to give you our views on the outlook for Ontario. I've brought with me today two documents. One is our Global Economic Outlook, that tries to put the economic potential of Ontario over the next couple of years into the perspective of what's happening both in the United States and globally. The other one is more specifically related to the issue at hand, entitled Ontario—Extending Solid Growth into the New Millennium. What I'd like to do is go through that paper very briefly and then answer any questions that you would have.

It's our view that not only is the Ontario economy back on the fast track but it's likely to remain there. After growing by roughly 5.5% last year, we believe that provincial output will expand by about 4% this year and

3.25% in 2001. Over the next half-decade we think there's a very good chance that Ontario will be Alberta's main contender for the title of the nation's regional performance leader.

In looking at the statistics, we see the provincial growth has broadened and deepened into virtually all regions and sectors. Our unemployment rate has fallen close to a 10-year low of 5.6%. Over the past two years the average duration of unemployment has fallen by 25% and most of the 370,000 jobs created over that period of time have been full-time positions.

With after-tax household incomes finally outpacing inflation, solid growth and profits and consumer and business confidence are on a strong upswing. This confidence is reflected in the 8% growth in the province's retail sales last year, one of the best performances in the country. Big-ticket purchases have been particularly strong, with motor vehicle and home sales setting record highs. Housing starts have rebounded to their highest level since 1989. Private sector capital spending has been on a double-digit growth trajectory for the past four years.

Turning to the future, it's my belief that the forward momentum that Ontario is showing will be sustained through the year 2001. The reasons are straightforward and there are numerous ones. The first one is that over 90% of the province's exports are destined for the US, and that economic powerhouse has considerable momentum, in our view, over the next two years. We expect US output to increase by about 3.5% this year, which is close to its 4% growth performance over the last three years, and record another gain of about 3% next year, so a very good backdrop.

Even with the expected rise in the Canadian dollar to 72 cents this year and to around 72.5 cents next year, we believe that domestic industry will remain very competitive in the American market. I'll return to that issue in a few seconds.

The second philosophy we have is that the revitalization of offshore activity, with Asia coming back very quickly, particularly Korea, Europe beginning to strengthen, and Latin America slowly turning the corner, is very good news for commodity producers. Stronger and more synchronized global growth will also boost tourism, with Ontario and other parts of Canada remaining very competitive as destinations.

The third factor, related to the global environment as well, is the fact that our other provinces are doing fairly well. Ontario's trade with these province should also improve, because all regions are expected to report solid growth over the next couple of years. Atlantic Canada is benefiting from expenditures in offshore energy development and improving commodity prices. Quebec is doing much better than most analysts had expected even a year ago, and activity is broadening with the help of key transportation, communication and pharmaceutical industries. Prospects have also brightened in western Canada, particularly in Alberta, but in visiting BC you

can see that that economy also has turned with the improvement in Asia and the bounce-back in commodities.

Even with the potential for a setback in North American equity markets, which is a considerable risk, and the likelihood that interest rates will rise by roughly three quarters of a percentage point by the end of the summer, consumer confidence in spending, in our view, will be reinforced by improving labour market conditions and an upswing in purchasing power. After the lengthy recession and restructuring through the first half of the 1990s, households still have considerable pent-up demand.

For example, provincial motor vehicle sales should continue to climb, in part because the average age of vehicles in Ontario has risen to over nine years, well above US levels. In the late 1980s, the age of vehicles was both lower and more in line with levels south of the border. Only 43% of Ontario households now own a vehicle under four years of age, compared with nearly 60% of American households, so US buying demand on the car side may simply begin to slow down—you can only fit so many cars in a garage, whereas there is considerable pent-up demand here, which should put our sales environment in a much better setting over the next two years.

I could say similar things about the housing industry. Home sales, housing construction and renovation activity have lagged US trends and are certainly in a catch-up mode right now. We believe, by the way, that Ontario will lead Canada in terms of the rebound and the further acceleration in the housing industry.

Business investment will also be driven by some favourable factors: improved cash flow, rapid technological change and the need to adopt best practices in a relentlessly competitive marketplace.

The focus on Y2K-related initiatives over the past two years has created a backlog of projects that are now being brought forward and that will help to sustain capital spending momentum. There was considerable worry that with Y2K behind us business investment would fall off, and in fact we expect just the opposite. Scotiabank is a good example. We've spent about \$170 million globally over the last few years on Y2K issues, and that has created a bottleneck of projects that we want to bring forward. Those are now coming to the fore.

Tight vacancy rates and the need for space that accommodates more advanced technology and communications platforms should also keep commercial and industrial construction at a high level, particularly in the technology-intensive regions of the province. You could talk about the Cambridge-Kitchener-Waterloo area, Toronto, Ottawa. There are various nodes of high-tech industry in this province, and we expect all of them to be doing quite well.

The improvement in federal and provincial finances is also allowing governments to play a more active role. Lower taxes and increased spending in our physical infrastructure and social infrastructure will help sustain the economy's forward momentum.

Turning more to an industry look, we believe there are key sectors that are geared for very high growth over the next few years. Ontario is emerging as one of North America's high-tech leaders. The focus in the press, of course, is on Nortel, JDS-Uniphase, ATI, Celestica and a few other names, but the reality is that the industry is made up of a large number of small and innovative firms that have consistently contributed to growth. We're somewhat restricted by data and the way it's collected in terms of division, so we don't get a full handle on the high-tech sector yet, but in taking the electrical and electronics sector, which is a key segment of the high-tech sector, we find that growth has been almost 10% annually over the past five years.

Unprecedented technological advances, international communications deregulation, expanding Internet and e-commerce applications, and the convergence of telephone, cable TV and PC-based services will keep this sector in very high growth mode, in our view, well through this decade. Global spending on optical components and networks is virtually doubling every year. Ontario's world-class producers of optical networks and fibre optic equipment are at the leading edge of expanding Internet and high-speed data transmission.

Ontario's telecommunications equipment industry will also benefit from the rapid expansion of global cellular-PCS services. According to IDC, international subscribers will climb by close to 30% annually through 2003. The largest markets are in the Asia-Pacific region, where wireless systems are favoured over wireline and teledensity is still low. I should point out there too that this is a region that is coming back very rapidly. The days of the Asian flu are over and the rebound is beginning to gather momentum.

1510

The province is a significant provider of electronics manufacturing services which provide outsourced integrated components and systems for computers and electronic equipment. This market is projected to advance by at least 20% annually over the next four years. Similarly, the future appears to be very bright for Ontario's world-class producers of computer graphics equipment and software.

Turning to the auto industry, while the US motor vehicle demand will probably slip a little bit over the next two years after nearly a decade of very strong gains, we remain bullish about the prospect for Ontario's highly competitive auto industry. Provincial assemblies set another record in 1999, accounting for 16% of the combined NAFTA production. A decade ago that was only 13%, so we've gained significant market share. The motor vehicle and parts industry accounted for an outsized 50% of Ontario exports; that's more than the combined shipments of machinery and equipment, chemicals, forest products and non-ferrous metals.

Expansions in the industry at Cambridge and Alliston will lift the province's assembly capacity by 8% in 2000. In comparison, the gain in the US will be roughly 1%, so we are continuing to gain production share. The expan-

sion of domestic capacity is even outpacing the rapid build-up occurring in the southern states, the preferred American destination for foreign automakers. Ontario is poised to overtake Michigan—we've seen that in the paper quite a few times recently—for supremacy on the production side for motor vehicles. Moreover, the province's facilities produce many of the best-selling light truck and mini-van models, the segment that continues to gain market share.

Ontario's gains reflect a clear competitive advantage in the auto sector. Scotia Economics estimates that the province has a 4% productivity advantage over the United States, a sharp reversal from 1989 when US assembly plants enjoyed a 3% advantage. Our industry also enjoys a 33% labour cost advantage relative to American assembly plants, and this edge will widen after recent contracts. The reality is that the exchange rate will have to rise above 85 cents to eliminate our advantage in the auto-assembly area.

The auto parts sector, which accounts for two thirds of overall auto industry employment, has also been gaining market share. Shipments from Ontario suppliers have been advancing by 13% per year since 1991, considerably faster than the 9% gain posted by US suppliers. Each Canadian and US vehicle assembled now contains more than \$2,000 worth of Ontario-made parts, nearly double the late-1980s level.

Turning to the fiscal opportunities and challenges that lie ahead, obviously Ontario's economic revival has underpinned a dramatic turnaround in government finances. The province will have finally achieved a balanced budget in 2000-01 after five years of major personal tax cuts and gradual deficit reduction. It's noteworthy that this will enable the provinces in aggregate to report a budget surplus—the first ever—capping a dramatic reduction from a peak shortfall of \$25 billion eight years ago.

Having achieved its first set of objectives, Ontario is poised for the next stage of its longer-term fiscal and economic strategy. The outlook for further strong revenue gains provides Ontario the luxury of planning the allocation of its fiscal dividend among tax cuts, increased spending and debt reduction. I'd like to present our views on the weighting of those.

The arguments are pervasive for continued tax reductions, particularly in today's fiercely competitive global arena. The trend to lower taxes is widespread among countries, and with a fiscal surplus rapidly exceeding \$150 billion, the United States will soon raise the performance bar in this key area. It's an important point, because the US has enormous potential to cut taxes with the type of surpluses that it's building up.

The importance of having a competitive environment is well recognized in all the provinces, who have led Ottawa in both personal and corporate tax cuts. Small business, for example, has been a prime area of tax cutting among the provinces, and we certainly have been moving very aggressively in those areas.

Sustaining competitiveness also requires constant upgrading of Ontario's physical and educational infrastructure. The province must work more closely with both junior and senior levels of government to coordinate the spending of scarce tax dollars in these strategically important areas. Greater use of private-public sector partnerships needs to be part of the solution, particularly with enormous pressures on the government to ramp up spending on the health care system.

While tax cuts and infrastructure spending are essential elements in the province's long-term fiscal strategy, in my view top priority must immediately be given to paying down the province's \$110-billion accumulated debt. This is the only way that the \$9 billion that now goes to debt service each year can be freed up for other policy priorities. With Ontario back on the fast track, it is unacceptable that 17 cents of every revenue dollar flowing to Queen's Park is directed to debt service, fully four cents above the average of the other provinces.

A front-end focus on debt reduction yields substantial cumulative benefits and greatly enhances long-term fiscal flexibility. Alberta has certainly found this. For example, a five-year plan allocating about \$2 billion each year to retiring provincial debt could trim the annual interest cost by close to \$600 million by the fifth year. Adding in savings from high-coupon financing, annual debt service in five years' time would be close to \$1 billion lower.

Now to the risks of the outlook, and we brought along our global outlook to give a fuller view as to where we see things going in terms of specific numbers. A focus on debt reduction during periods of prosperity broadens fiscal options during periods of economic setback. While the future appears brighter than it has in over a decade, there are still considerable risks to the economic and financial outlook. By the way, almost all economists have a very optimistic view about where we are going, but as you probably know by past experience, believing totally in economic forecasts can be very hazardous to your wealth.

We expect North American interest rates to rise by only three quarters of a percentage point this year. By the way, Chairman Greenspan raised interest rates by a quarter about an hour and a half ago. Then we believe they will begin to move lower as cyclical inflation pressures subside. However, consistently strong US growth and rising inflation could push interest rates higher and keep them there longer, a clear negative for Canada, for Ontario and for global growth.

Alternatively, rising interest rates could be the catalyst for a sudden correction in equity markets, with the potential for heavy collateral damage to our economic prospects. The international fallout during the Mexican peso crisis and the more recent bout of Asian flu, both of which, I might underline, were not anticipated fully in the financial markets, dramatically illustrates the power of sudden changes in market confidence on economic conditions, particularly in debt-heavy jurisdictions.

In summary, given the very good economic progress we are likely to make in the next couple of years—the

fiscal options have not been as wide for quite some time as they now are. But in our view, if we are weighting those options, the first and heaviest weight should be to debt reduction, the second should be to tax cuts and the third would be to spending, with priority given to the economy's fiscal and educational infrastructure. Thank you.

The Chair: Thank you very much for your presentation. We have approximately 13 minutes for each caucus. I'll start with Mr Christopherson.

Mr Christopherson: In your presentation, one of your identified risks is rising interest rates. I appreciate your telling us what happened today, because we hadn't heard yet. What are your thoughts on what happened today and what that means for us?

Mr Jestin: The Federal Reserve raised interest rates a quarter of a percentage point today, which was widely expected by the market. The market initially rallied on the results and, by the time we left the office, had virtually sold off all the rally. So it was a very short-term relief for the marketplace, or the bond market at least. We would expect that next month the Federal Reserve will increase interest rates another quarter of a percentage point and, sometime between May and August, a third quarter-percentage point move will occur. We believe the Bank of Canada will follow suit, virtually one for one, so by August we would see things such as the prime business lending rate on both sides of the border up by one-half to three-quarters of a percentage point.

In this type of environment, the bond market is also likely to trend higher, largely because, in our view, cyclical inflation pressures will be moving up probably over the next six to eight months. We believe, however, that oil is not going to continue to go higher. It's probably going to settle down below \$25 a barrel. The acceleration in commodity prices will probably dissipate, and overall, some of the long-term disinflationary trends that we have seen for quite some time will begin to re-emerge. As they do, we believe inflation will start to move lower by the end of the year and into next year, which will allow interest rates to come back down.

1520

That is one of the reasons we have a fairly optimistic forecast, because we believe that the interest rate and exchange rate environment will remain quite favourable to Canada. The rest of the world expanding, the US doing reasonably well, interest rates at the outside three quarters of a percentage point and then coming down would keep our growth momentum quite alive.

I should mention, as I stressed at the beginning of my presentation, that Ontario stands to benefit very handsomely from that, being either one or two in economic performance, in our view, among the provinces over the next five years.

Mr Christopherson: Is it fair to say, in your opinion, conversely to your last point, that if the American economy goes into a tailspin we're going to feel it first and arguably harder than anywhere else because of our trading relationship and the exports driving our economy?

Mr Jestin: Ontario is most dependent on the US of the any of the provinces, and particularly, if we had a substantial slowdown in consumer spending it would have an immediate negative impact on Ontario because of the weighting of the auto sector in our exports. It's important to point out, though, that the consumer is not spending in the US simply because of these huge gains that we have seen in NASDAQ and the various high-tech stocks. In fact, the US has created 25 million jobs over the last decade. The unemployment rate there is at a 30-year low. We have income outstripping inflation by a very substantial margin. Consumer confidence is very high, largely on the basis of the job market. Housing prices are actually going up in the US, which makes the two thirds of American families who own homes pretty happy.

So even with a setback in the equity markets of 20%, we may well see, as we saw in the fall of 1998, the US consumer staying in the stores. What I think will happen, however, is the US consumer begins to slow the rate of growth in consumption that it currently has down to its rate of growth in income, because right now consumer spending is growing at a much faster rate than income. The adjustment will logically be to bring that down to income growth, which, in our view, will still remain pretty healthy.

Mr Christopherson: On page 3 of your presentation you make reference to the 33% labour cost advantage that the Canadian autoworkers have over American autoworkers. I would think that part of that is of course the fact that we have universal health care and down in the States they have to purchase comparable coverage for their workers and it drives that labour cost way up.

With that in mind, if I heard you correctly, you mentioned that your number one priority would be debt reduction. I guess I would be interested in your thoughts, given what I've further identified from your comments about the labour advantage and where much of that comes from for us in terms of our health care system and given the fact that depending on how big a crisis you want to believe is there, there seems to be a general feeling across the province that our health care system is in some form of crisis. Whether that's in transition or actually the beginning of a slippery slope remains to be seen. I was curious, therefore, that your first choice would be debt reduction rather than things like health, which supports our labour cost advantage for our autoworker segment of the population, as well as education for that matter, which provides for skilled workers, which again gives us an advantage in terms of competition around the world and the American system, and we seem to have the edge on both. I was curious why those weren't a priority to you but debt reduction was.

Mr Jestin: Among all the competing priorities, I think debt reduction has the ability to free up the cash needed to actually repair the type of damage that has occurred, for example, in the health care area and in education. I'm on the board of the University of Guelph and I certainly

see it all the time in terms of the problems that exist there.

If we could free up a portion of the \$9 billion that we are spending now on debt service into these other areas, we could legitimately afford the type of health care that the residents of this province require. We could afford the improvements in education. However, the immediate pressure suggests that we are going to have some upswing in spending. We have to make sure that in weighting the competing areas we don't let infrastructure slide, because there is no huge political upside immediately from repairing sewers, roadways and telecommunications. Those issues are long-term competitive issues which I think are very important.

Debt reduction is the only alternative that will actually free up long-term cash. We do, as a province, pay more than the average in terms of debt service even though we are, arguably, the most prosperous province in the country. That is unacceptable.

Mr Christopherson: Do you support the idea that the tax cuts came before a balanced budget, for instance?

Mr Jestin: I believe that we should have moved much more aggressively on the deficit to get the budget in balance. I'm not suggesting that we should have or could have followed the Alberta model one for one. But certainly the dividend that has been paid there is enormous.

Mr Christopherson: Because even those who may support some form of tax cuts as an expenditure priority at a given time have said that it should have come after they balanced the budget rather than beforehand.

Mr Jestin: By the way, it's not so much an either-or. You have to prioritize. I would have put much heavier emphasis on debt reduction. The fiscal dividend is really reducing the debt service cost in my view. It's not the surplus that would be generated; it's actually freeing up cash that we otherwise are required to pay for previous overspending.

Mr Christopherson: Then there would be a political debate as we had at the federal level, whether that should be an income tax or further expenditures into social policies infrastructure, but at least we can have that debate. I think a lot of us, for instance, the Liberals and the NDP, disagree on a lot of things, but the whole notion that doing the tax cut when they did was wrongheaded is one that most of us agree with.

We just had a further report from the Centre for Social Justice where, again, they emphasize the fact that during this biggest boom in the North American economy, we're seeing an increase in the income inequality between the very wealthy and the very poor. In terms of your vision of how the Ontario economy ought to work to benefit the most people, how do you feel about that? If you have some concerns about that growing inequity, what would you do about it?

Mr Jestin: I haven't seen the study, so I wouldn't be able to comment specifically on it. The technology change that we are experiencing is creating both winners and losers and at a very rapid rate. Some companies are doing very well; others are not. Similarly, incomes in

some areas are going up rapidly and others are falling behind. Largely, within Canada, North America and, more generally, globally, that's a pattern that will likely prevail for some time.

We are in the midst of a vortex of change globally. Governments obviously are attempting to address some of the most egregious problems as best they can. But I don't think that is a reason to focus government solely on that area. Improving competitiveness raises the standard of living for the province as a whole and, as a result, gives a bigger pie that can be distributed through society.

Mr Christopherson: I assume you would agree that government has a role, in fact a responsibility, to play in terms of what happens with that growth and with the money that we're awash in to ensure that we're not increasing inequity. You used the phrase that they're addressing the most egregious. We would argue, as does the study that—and I realize you haven't seen it yet and I understand what that means for your response—based on StatsCan figures indeed the tax cut has exacerbated that inequity.

We're faced with a situation in Ontario where the whole notion that this needs to be addressed is not even on the agenda whatsoever. In fact, all of the policies of this government have again, to repeat myself, exacerbated that very situation. If you take it out to its final conclusion, what it means is that we're going to continue to have more and more people who will slide from middle class into poverty and those who are in poverty are in a deeper level of poverty. They're worse off than the poor have been in previous generations.

I just can't imagine that at the end of the day that's good for investment, that that's good for our competitiveness, when we see a society that's so polarized, particularly when much of our reputation is built around being fair-minded and caring about each other. The UN has chosen us five or six times now as the best place in the world to live, not because we have the best tax cuts but because we have the best education system, the best health care system, a great social net, safe streets, all of those sorts of things. Surely it must concern you if it continued unabated and we saw this continuing polarization of our society.

1530

Mr Jestin: The social agenda has to be founded on a very strong economic foundation. Going back to my comment on the prioritization of government, I would say debt reduction is the way we free up cash for other issues. Tax cuts are certainly absolutely essential to maintain competitiveness or to regain competitiveness, and we are following a very aggressive US model, in my view, over the next little while, so tax cuts would be number two.

Number three would be dealing with the most egregious of the problems that exist now because of the cut-backs that we have had in various areas, but among the spending programs I would suggest that infrastructure that improves competitiveness ultimately generates the

jobs which generate the income which supports the social agenda.

Mr Christopherson: The problem of course that we have in Ontario is, and an earlier presenter—I think another bank economist—actually made the point, that much of the fiscal flexibility you might have in a surplus situation has been limited by the early tax cut, and we don't have as much room as we had before.

I've been pointing out the low savings rate that we have and the amount that people are looking to in their RRSPs and their mutual funds for their retirement. If all of that bubble bursts, we're in some serious trouble, and it's going to be the vast majority of Ontarians who are going to feel that hit. At that point, I would say to you, with great respect, people are not going to be worried about what the debt reduction policy of the government is and they aren't going to be worried about whether there are new tax cuts. At that point they are going to want to know, "How am I going to find a job to provide enough income both to raise my family and to be able to survive when I retire?"

Mr Jestin: We have a laboratory experiment going on in Canada right now between British Columbia and Alberta, British Columbia having reasonably high taxes and Alberta having the lowest ones in the country. BC used to be the strongest-growing province in the country in terms of population; Alberta was fairly weak. Because of a number of circumstances, one of which of course was a dramatic reduction in taxes, Alberta has now moved well ahead of BC, so I do believe taxes matter. I do believe taxes create growth, which creates revenue, which gives the government more options, but at the same time, harping on my key point, debt reduction is the one that yields the extra revenues that can support the entire spectrum of government spending.

Mr Christopherson: I think you would recognize that BC has the Asian market, Alberta has oil, and we're tied to the United States market, so three very different basic economic foundations in terms of growth.

The Chair: I now have to go to the other side; your time has expired. Mr Gilchrist.

Mr Steve Gilchrist (Scarborough East): Thank you very much for your presentation. I think when we see the difference between the previous presentation and yours, it shows the merits of having these hearings, because there's certainly a wide divergence of opinion out there on whether the glass is half full or half empty.

Your comments about productivity: I would appreciate if you could expand on the importance of that. To the previous presenter, Mr Phillips read from one of our publications and made what I think I could confidently call disparaging comments about the suggestion that we have a competitive advantage over the United States, and I guess he created the impression that somehow that was a bad thing or arose from improper fiscal or monetary policies—

Mr Phillips: I never said anything of the kind.

Mr Gilchrist: —whereas I think you clearly lay out in your presentation that it has a lot to do with productivity

and the fact that our companies have had to, of necessity in some cases because we started off with a smaller market to serve, be more efficient, and therefore with the creation of free trade opportunities we're able to exploit those efficiencies in a much larger market, not just in the States but for many companies very successfully around the world.

You mentioned as well that productivity, particularly in the automotive industry, will play a very important role in Ontario's continued growth. I wonder if you could perhaps put some minds at ease even more by elaborating on the importance of productivity even if the American economy was to suffer a downturn. Let's deal with our automotive factories to start, as a concrete example. If we are more productive in the manufacturing of a particular automobile, would it not stand to reason that it will be the American factories that start reducing their production before an Ontario factory would?

Mr Jestin: It would all depend on complex things such as models, popularity and things like that, of course. The auto sector is one segment that there is a lot of data around on. We have a productivity advantage with newer investment, but we also have a substantial labour cost advantage, partly because of the exchange rate and partly because our inflation rate has been below the US since 1991, which is the longest time on record. So there are a variety of things that have really cemented in the success of that particular industry.

If I were looking into the future—and my colleague Aron Gampel has done quite a bit of work on this—the areas that I think are the ultimate top performers will be in the high-tech sector. Here, I suspect, we can match the US in many ways one for one. Our equity markets do not give the same multiples and the same potential for expansion as in the US—we don't have a whole lot of companies where price-earnings multiples are 200 to 1 on this side of the border—but overall we believe that in the knowledge-based sector it's the uniqueness of ideas and the success of ideas that are going to push us forward, and I think we're doing very well there. It's much more than labour costs that are at issue; ideas have enormous value if we get them correct.

Mr Gilchrist: Given that, would you be prepared to make any suggestions about specifically how we would change the tax system right now? You mentioned that you believe tax cuts create wealth and that they create increased revenues for the government, but they can accomplish other ends as well. If you were to believe that the high-tech sector offers the best opportunity for long-term growth in our economy and retention of the sort of high-paying jobs that I think we're all being told will be the hallmark of successful companies in the 21st century, should we be targeting tax reductions? Should we be offering tax incentives to companies that make R&D investments, for example? Have you individually or as a bank given some thought to how we would target further tax reductions?

Mr Jestin: I'll give you an answer, obviously, as an economist on that particular issue. Back in the early

1990s there was some work done in Ontario about industrial strategy, essentially picking winners and losers. If you go back to that work, the auto industry was decidedly put in the also-ran category. If we had looked at that particular vision of the world and if the auto sector hadn't been around in Ontario through the dark days of the 1990s, we wouldn't have been in a recession; we would have been in a depression.

My concern is that while I believe there are certain areas of very high growth potential, putting policies rigidly in place that pick winners and losers can ultimately lead to huge mistakes. So I would rather see policies that are targeted more broadly to improving competitiveness. Again, however, rather than reducing taxes as my number one priority, it would be debt reduction that would give the potential for both tax cuts and spending increases.

Mr Gilchrist: Fair enough. That's a very reasonable position and one which I think we would echo.

There is something I would love to have you put on the record, though. We hear often from the other side and from other critics that somehow the tax cuts to date have unduly increased the debt of the province. When we first arrived here in June 1995, the province was losing \$11.3 billion a year. This is going to sound like an awfully simple question, but it needs to be stated, and coming from you I guess it will carry more weight than when we put it on the record. Would it not follow that the only way the province would have stopped any further increase in the debt would have been to immediately eliminate \$11.3 billion worth of spending? To balance our budget from day one, which would be the only way we would not have a higher debt today than on June 3, 1995, we would have had to eliminate exactly the same amount of spending as was the amount of the deficit.

Mr Kwinter: Or increase revenue.

Mr Jestin: I think the issue boils down to whether a longer process of debt reduction or a short-term process of tax increases boosts prosperity the most. We have no agreement on that among the economic fraternity. I believe that tax cuts have mattered and have created job growth, although if I were to look at the estimates that have been put together sequentially by various federal and provincial governments on the job-creating potential coming out of various government measures, I think we would have the unborn fully employed for the next few decades if we totalled them all up.

1540

Essentially, I think lower taxes have helped. At the same time, we are, next to the US economy, the strongest economy in the world that has had an unprecedented economic expansion. In weighting the alternatives, while tax cuts were very important, I think initially putting more emphasis on developing a surplus would have paid larger dividends.

Mr Kwinter: That's not quite the answer you wanted, but pretty good.

Mr Arnott: Thank you very much. I want to commend you on your presentation today, particularly on

your suggestion at the end, your recommendation that debt reduction, debt retirement, has to be a very high priority of the provincial government now that we're entering into this phase where the deficit is almost paid down.

I think what you've said bears repeating. You've said this: "A front-end focus on debt reduction yields substantial cumulative benefits and greatly enhances long-term fiscal flexibility." Then you go on to say, "A focus on debt reduction during periods of prosperity also broadens fiscal options during periods of economic setback." This is common sense of the type that I hear day to day, week to week, in my constituency from people, and I also believe very strongly that this needs to be a high priority of the government.

The government is committed to retiring at least \$2 billion worth of debt over this term of office. Do you think that's enough or should we be striving for something higher? Should we not be looking at this as sort of a long-term problem, with committing ourselves as a government to a long-term debt retirement plan with, say, interim targets every five years of how we're going to pay down this debt over the next 25 years? Would you agree that that would be a reasonable approach for the government to take?

Mr Jestin: I think a consistent debt reduction strategy, obviously with adjustments over an economic cycle, is very important. If I can give you a federal example, I think it's very important as well. If Washington continues on its current policies without big tax reductions or spending increases, it will pay off its market debt in 18 years. At the current modest debt reductions at the federal level, it will take us between 100 and 150 years. So there are degrees in here. I don't think we have to opt totally to the Alberta model of very rapid debt reduction, nor to the US potential, because there are a variety of other circumstances and priorities that have to be taken into account. But to the same matter, \$2 billion over the length of the mandate, which is what the finance minister indicated, in my view is too modest. We should, in a period of very strong and sustained expansion, be trying to raise the bar and shooting more aggressively.

The idea that we could save \$1 billion annually within five years by paying \$2 billion down a year—that is a very large payback. By the way, that is around in perpetuity. That money is available each and every year because it is essentially wiping out a dead-weight loss that we now are burdened with in terms of debt service.

Mr Galt: I'm curious. You mentioned, number one, paying down the debt so we don't have to service that debt with some \$9 billion a year. Half of that occurred in the first half of the last decade, in a period when we drove 50,000 jobs out of this country while the rest of Canada was creating some 350,000 net new jobs. We wrestled the economy right to the floor of all the other Canadian provinces. In your opinion, was it necessary to spend and increase the debt by some \$50 billion in the first half of the last decade?

Mr Jestin: Unfortunately, we can't relive history. Fighting the recession rather than the deficit in the rear-view mirror looks like a very unfortunate error. The problem with suggesting that we wouldn't have had a run-up in debt, of course, is that Ontario was going to be hit very viciously by that recession because of a number of economic circumstances that were occurring within the global and the North American context. But we are burdened with that debt now and we do pay more debt service than the provincial average. We do not enjoy the fiscal flexibility that a province such as Alberta has. We do not have the fiscal flexibility that the US has. They are principal competitors of ours. We have to get our finances more in line with our principal competitors or we'll have a competitive disadvantage. That's basically the message. So a little bit of pain now in deferring spending will yield substantial long-term benefits, in our view.

The Chair: Go ahead. You have a minute left.

Mr Galt: I'll pass.

The Chair: Thank you very much. I'll go back to the official opposition.

Mr Phillips: Mr Gilchrist has once again deliberately distorted what I said.

To the presenter: The government has already said what they're going to do with the fiscal dividend. They've announced \$5.3 billion in tax cuts—\$4 billion on personal income tax; roughly \$1 billion on property tax, although that will show up as an expenditure; \$300 million on corporate tax—\$2.5 billion a year on health and \$500 million a year on debt reduction.

I have two questions on that. You've done some calculations on revenue growth. As the economy grows, tax revenue grows. In answer to one of the previous comments about how you get rid of a deficit, my recollection is that tax revenue grows at roughly the rate of nominal GDP growth. But my question is, have we already to a fair extent committed for the future fiscal dividend with those three commitments? Have you got some revenue estimates that you could provide us? The government will not give us a single estimate on revenue beyond the last fiscal year. Has the bank done some estimates on what we should be looking at in terms of revenue growth?

Mr Jestin: We certainly have done some work in that area, and I could provide that to you if you like. The point of whether we have fully spent or allocated the fiscal dividend largely hinges on the upcoming prosperity in the economy. We're very bullish on the economy. If we are overly bullish on this—and economists are notoriously bad at picking turning points—then we will find that either higher interest rates or a sudden reduction in growth will immediately cause the deficit to re-emerge and begin to accelerate because of commitments. That's one of the reasons why we're concerned and one of the reasons why we think debt reduction should have top priority. We can see situations, although we would not give them high probability, where interest rates would be higher longer, which raises debt service in two ways: (1) slowing down the economy to the actual cost of debt, or

(2) a setback in equity markets triggered by the US consumer could really slow down exports and as a result feed back into growth and revenues.

If we continue to sail along, we will have some fiscal flexibility in upcoming budgets, but if somehow this unprecedented expansion in the US, or in Canada as its emerging and in Ontario, begins to unwind, we will quickly find ourselves back into the fiscal goo again. In my view, the only prudent thing to do in that situation is to focus more seriously on debt reduction.

Mr Kwinter: Mr Jestin, I want to just make a comment. I totally agree with the priority being debt reduction. That's an economist's point of view, and it's typical Keynesian economics that in good times you pay it down so that in bad times you have a buffer so that you can look after some of your needs. That's great as an economist, but the budget is a political document, not an economic document.

My concern—and I'd like to get your response as to what you would suggest—is that we had a presenter just before you who was saying: "My God, times are booming. How come we've got homeless, we've got problems with our health care, problems with our education? This is the time we should be beefing these things up." The economist's point of view is: "No, that's not the time to do it. When times are good that's when you should be paying down the debt." How do you reconcile that?

During the first mandate, at the beginning of the election campaign, Mike Harris publicly stated: "We do not have a revenue problem, we have a spending problem. We've got more money than we know what to do with. Our problem is we've got to get our spending under control." The problem with that of course—and Mr Gilchrist mentioned it—is that they all seem to think if spending is the problem you can also raise the revenue.

My point is this: How do you politically start taking \$2 billion a year, as you say, which would be great, and pay it to debt reduction when there are all of these pressures? We now have a situation where this government is committed to spend more money in their budget than any other government in history in Ontario, and those pressures are going to continue. If the squeaky wheel comes along and they can't take the heat, throw some money at it, and before you know it, you're compounding the problem. Do you have any comments on that?

1550

Mr Jestin: In the type of revenue trajectory that you would probably see, given the growth estimates that we have here, there will be a substantial increase in revenues. The issue then becomes, what is the distribution of that revenue stream? What we're suggesting among the competing alternatives is a slower pace of spending. Perhaps a slower degree of tax cuts would leave more on the table for debt reduction. It's not an either-or situation. We obviously have big competing priorities, and one of them, I should underline, is physical infrastructure. My point under the physical infrastructure statement I made was that we need a lot more co-operation among the municipalities and the federal government with the

province in these joint ventures because no level of government can uniquely fund these particular projects. But we have to slow down perhaps the degree of tax aggressiveness, maybe slow down the trend in increased spending so that we leave more on the table for debt reduction. That's basically our proposal.

Mr Phillips: I'm quite interested in your estimates on revenue and I appreciate you providing them to the committee.

One of the challenges is that in 1999-2000 the sale of the 407 had a one-time infusion of \$1.6 billion. The federal government increase in support of health care was most heavily oriented to this fiscal year. So we've got those things bringing the revenue growth down for future years.

We've got two things offsetting it. One is the gambling revenue. The government has got a windfall—not a windfall, but they're going to rake in a bundle of money. I think just from the slot machines they're going to get \$500 million or \$600 million. What should we expect, first, if you don't assume any tax changes? What sort of formula should we be using for growth in tax revenue?

Mr Jestin: We would suggest a one-for-one relationship between nominal GDP and growth. It varies substantially from year to year over the cycle. Using that as a rule of thumb would probably be as good as any, given the variance that occurs on an annual basis.

The degree of revenue growth hinges very much, as I said, however, on continuing US expansion, which feeds directly back into Ontario. My concern is that we become a little more prudent as we go forward, leaving a little bit more in contingency or whatever you want to call it, which would ultimately be used on the debt service side.

Mr Phillips: Your recommendation on private sector partnerships on infrastructure is interesting. My own view is that the users of the 407 got completely ripped off by that sale. Those tolls are going to go up at inflation plus 2% every single year for 15 years. They were hung out to dry. Based on what we've heard about infrastructure, there are two big things where the private sector would be involved. One is build-lease, where they'll build a school—and that's what most school boards are doing now—or where you would sell off a stream of revenue, which essentially is a toll road or somebody will build a sewage plant in return for being able to put a surcharge on your monthly bill.

Both of those things are just a different way of either taxation or borrowing money. Are there certain things in the infrastructure that you can think of where the public will not end up with either a user fee or paying the debt through a lease cost?

Mr Jestin: In terms of expansion?

Mr Phillips: You're saying that we should be looking to refurbishing the infrastructure, we should be looking at more private-public sector partnerships, which I intuitively like, but can you give us some examples of what you have in mind here that will either add a new tax in the form of a fee or result in simply paying debt in a different way?

Mr Jestin: One of the things that may well be worth considering and which may well come down in the federal budget is setting up single-purpose—not a corporation but a crown entity or corporation that essentially is funded by federal money, provincial money and municipal money, with the potential to bring in private sector partnerships.

The millennium fund is a potential example of that, I guess, but I'm thinking much more of using that for a corporation that is at arm's length, or more at arm's length, from the government. If it may be directed towards sewers or highways or technological infrastructure, it allows all governments to participate in terms of the funding but having a separate group that essentially administers and prioritizes things and seeks ways of bringing the private sector in. It's basically setting up the availability of capital to fund these initiatives that I think is very important.

If we look at government spending on infrastructure, the private-public partnership proposals that are on the table can bring in a substantial amount of money. You may remember back in the early 1990s Ontario was spending roughly \$4 billion annually on infrastructural costs. That will only come to fruition if we have Super-Build, plus the entire private sector participation, bringing it up to \$20 billion over five years. I worry that we don't have enough money directed to that, and perhaps setting up these corporations, putting them more at arm's length, would help.

Mr Phillips: To change the subject a little bit, on pension expenses in the province, the province pays out in cash payments to the pensions \$1.1 billion, but on the books, on the financial statements, shows a profit of roughly \$300 million. That is because the way they account for it is that because the pension funds have seen such an appreciation in their assets—the pension fund on an annual basis has increased more than the expenses, so you subtract the two. The teachers' pension, I think, is now 70% in equities. We're now showing on pension expense, as I say, a profit of \$300 million on the books, but in cash payments we're paying out \$1.1 billion.

This is the first time, I think, where a substantial downturn in the equity markets hits the financial statements dramatically. Have you had an opportunity to look at that and do you have any comments for us on that?

Mr Jestin: I couldn't comment on the Ontario government case. Having read some of your material over time and things like that, I know you're the expert on these particular matters—

Mr Phillips: I wouldn't say that.

Mr Jestin: —and I'd defer to your judgement on that. But one of the things you're pointing out is very well taken, and that is that pension funds have been flush with what's been happening in the markets. We've been in a sustained bull market for quite some time, and inevitably there would be major adjustments, not only in your personal finances and household finances, if there was a significant setback or a move to lower growth, but also in

the outlook for pension funds, which would change the entire investment dynamic coming out of these funds.

Pension funds and large pools of capital essentially are becoming much more dominant in overall funding in Ontario and around the world, so it is a very significant issue.

The Chair: With that, we've run out of time. On behalf of the committee, thank you very much for your presentation.

1600

NESBITT BURNS

The Chair: Our next presenter is the senior economist and vice-president of Nesbitt Burns, if you could state your name for the record. On behalf of the committee, welcome. You have one hour for your presentation.

Mr Douglas Porter: Thank you, Chairman, and good afternoon. I'd like to thank the committee for the opportunity to present my views today.

Basically, I'd like to make a three-part presentation today. I've brought along a small handout, which I'll only refer to on the periphery; it includes our regional economic outlook. Some charts I'll be referring to, and a short article which is really meant to be an appendix, which I recently wrote.

I'd like to keep my economic overview relatively brief just because it's not terribly different from the one you just heard, but it might be helpful to go through some of the charts starting on page 4.

Basically, the big story here is the tremendous turnaround in global growth that we have seen in the past year. It's quite a turnaround from the situation of just a little over a year ago when almost every news magazine you could look at, whether it was *Newsweek* or *Fortune*, was warning of a recession or worse in 1999. Of course, 1999 turned out to be quite a good year.

With Asia and the rest of the emerging markets in full recovery, we're actually looking for above-average economic growth both this year and next year for the world economy, something a little bit better than 3.5% for both years. Again, Asia has simply left the crisis well behind it. Equity markets there are back to the levels they were before the crisis and growth is as well. We've also seen Europe begin to pick up after a bit of a lull at the start of 1999, and even Latin America is recovering after a recession last year.

Most importantly, the US has not skipped a beat. We saw above-average growth last year and we expect above-average growth this year. We're looking for US growth of about 4%, which would be the fourth straight year. We think, if anything, the risks are to the high side, that we might actually be underestimating growth.

One thing we've seen year-in and year-out during election years is that the economy actually tends to accelerate; that is, if you look over the past 40 years, US GDP growth has, on average, been about one percentage point higher than in non-election years. There are a number of reasons for that. Obviously, there is the direct spending

on the election. There's indirect spending by congressmen who might want to be re-elected. There's the fact that election years take place during leap years, which means we all get to work one extra day. It also takes place during Olympic years. This time it takes place during a census year, and there'll be 500,000 census workers employed this year. The bottom line is, if anything, the risk is that we may actually be underestimating the strength of the US economy, at least in the year ahead.

Canada is a similar story. We're likely to follow along. We think growth will be about 3.5% or slightly better this year. That's the fourth straight year we've seen 3% growth or better. That's the first time we've actually done that since the late 1970s. Ontario, since it is most closely tied to the US, is expected to grow by 4%, after a 5% gain last year. The full details of the Ontario outlook are on the back page of the handout.

The long expansion is clearly spinning off tremendous job growth. We've seen over a million jobs created in Canada in the past three years alone. If you saw, *StatsCan* actually revised up the number of jobs created last year and now the unemployment rate actually stands at 6.8%. Unemployment is tumbling almost in every province. We actually expect it to move below 6% by the end of the year. We're already there in Ontario. That 6% may actually sound quite dramatic, especially compared to the trend of the past 20 years, when the unemployment rate, as you can see from the one chart, has averaged 9.5%. But if you look back to the late 1960s, early 1970s, before the real crest of the baby boom entered the labour market and before the first oil crisis, an average unemployment rate was actually only 5%. We think those kinds of levels are achievable again.

This dramatic decline that we've already seen in the unemployment rate has given a tremendous boost to consumer confidence and business confidence. In fact, the Conference Board came out today with their fourth-quarter numbers on consumer and business confidence. Both accelerated quite sharply and they are at some of the highest levels we've seen in the past 10 years. That's being reflected in things like consumer spending. After a bit of a lull in 1998, consumer spending was quite strong. That's continuing into the year 2000, where car sales are still rising at about an 8% trend. If anything, just looking at the number of cars sold may actually underestimate the strength of vehicle sales because consumers are increasingly buying larger and more lavish vehicles. Retail sales as well have been quite solid, particularly in Ontario. We saw a record year for home sales last year. Starts have increased. Of course, they're well below the peak levels we saw in the late 1970s, but they're pretty close to underlying demographic trends at current levels.

That broad-based strength we're seeing in the economy is a big reason behind the upswing in interest rates. As was mentioned by the previous speaker, the Fed did raise rates by another 25 basis points, and we believe there are more to come. Actually, our rate forecast is very

similar to the one previously presented. We do believe the Bank of Canada will follow tomorrow morning.

This upswing in the interest rates is likely to lead to some sort of slowdown in 2001. We're certainly not looking at a recession. We think that growth will be still a little bit above average in 2001 but perceptibly slower from 2000. We believe that the Fed will do what it takes to bring growth to what they're more comfortable with, and the common view is that the Fed is comfortable with growth on the order of about 3% to 3.5%.

That leads me to the second part of my presentation. For the second and third part, I'd like to go over two primary concerns I have on the fiscal front, which may seem somewhat contradictory but I'll explain later.

The first concern is that with the economy booming and the fact that we're more closely tied into the US than ever before, we are, of course, more vulnerable than ever before to the US economy and, similarly, to the US equity market. Manufacturing, unquestionably, is on an absolute roll. We've seen employment in the manufacturing sector rise by 6% in the past year. Remarkably, this is at a time when US factory payrolls are actually falling. Effectively, what we're seeing is a real diversion of production from the US to Canada, and we think, quite simply, a big reason for that is the highly competitive Canadian dollar.

This has been especially noticeable in the auto industry. We now produce almost one in every five vehicles produced in North America, and that includes Mexico. As was mentioned earlier, we produce as many vehicles as Michigan, with a similar population base, but here's the rub: Michigan is one of the most cyclical state economies in the US, and we believe that Ontario too will become even more prone to a boom-bust auto cycle.

Make no mistake, we are at the crest of an auto boom. If you look at the chart on US auto sales, you can see just how far above long-term trends auto sales are now. There is some reason to believe that there can be a bit of a level upshift in US sales. In other words, they are probably on a permanently higher basis than what we saw through the late 1980s and early 1990s, but it's very hard to believe that the kind of auto sales we saw last year, ie, close to 17 million, are sustainable going forward. The main message is that it would be a mistake to assume that revenues at current levels are sustainable forever and to build future spending plans around an assumption that these are normal economic times.

Also, the US boom is clearly tied to the equity market run that we've seen. Greenspan and the Fed have estimated that about one percentage point of growth in each of the past four years has been tied to the equity market boom. What the equity market giveth to the economy it can also easily taketh away.

In a similar vein, the economy is performing extremely well already. I think it's in little need of a major fiscal boost at this point. In fact, our ramp-up in spending could aggravate wage and price pressures that are already building. We are seeing the first signs of wage and price pressures beginning to emerge. The Bank of Canada, for

the first time in a long time, is actually beginning to raise rates to cool down the economy, instead of just trying to support the Canadian dollar. Almost every rate increase we saw through the 1990s was in response to a very weak Canadian dollar, but that is obviously not the case with the rate hike in November and the one that's likely to come tomorrow.

Essentially, a substantial loosening in fiscal policy could actually stoke the boom that's already in place and would ultimately force the Bank of Canada to raise rates even further, in other words, move even beyond what the Fed will do over the course of the next year. Essentially, that would be a repeat of the late 1980s.

The second source of concern on the fiscal side—this is the third part of my presentation, and as I said, this may sound somewhat contradictory to the first concern, but it isn't—is the persistence of high marginal tax rates in Ontario.

If I can direct your attention to the table on the bottom of page 8, you can see that even after years of cuts, while the Ontario top marginal rate is the second lowest among the 10 provinces, it's really not out of line with most of the other provinces. It's not significantly below any of the Atlantic provinces or the Prairie provinces and it's also still well above US rates. I'd argue that the high top-end rate is arguably not the biggest problem for Ontario but rather the low-income level that they kick in at. This is certainly not a new issue to anyone here, but I think it is worth stressing again. A common criticism of the United Alternative's or the Reform-Conservative's 17% tax proposal is that it's not progressive, but you can make the case that Ontario's current set-up is also not terribly progressive either, with everyone in the middle class and up basically facing the top marginal rate.

1610

Second of all, we believe that the brain drain is important. It may not be reflected in the big emigration numbers but we are sympathetic to the view that top performers or stars do matter and that losing only a few of them will cost the economy plenty. Tax rates are certainly not the only factor in the brain drain, they may not even be the biggest factor in prompting top-flight talent to leave, but tax rates are one of the few factors that policymakers can control, unlike the weather. Canada is already operating with one hand tied behind its back on many fronts and it doesn't make sense for the government to tie the second hand behind its back with punitive tax rates.

In fact, the tax gap with the US is at risk of widening, especially if George Bush is elected. Admittedly that looks somewhat less likely today than it did yesterday, but he does plan to cut the top tax rate to 33% from 39.6%, with the states averaging another 5% to 6% on top of that. Even Gore and McCain are also planning tax cuts. Importantly, the top tax rate in the US does not kick in until about an income level of \$400,000 Canadian. In Canada it kicks in at about \$63,000. Just to put that in perspective, in 1966, the top rate was not reached until an income level of \$100,000.

The bottom line, and this really goes to the small article I attached, is that further cuts in marginal rates are needed just to keep Ontario competitive with not just the US but most other countries.

To conclude, how to reconcile these two concerns on the fiscal front, ie, not engaging in an overly loose fiscal policy, and the need to reduce marginal tax rates? First of all there are basically four strategies to reconcile these. One is, keep a rein on the spending side of the equation. Two, cuts in marginal rates do have supply-side impact. It does take time to work but it does increase the incentive to take risk and to invest. In other words, while it will stoke the economy a little bit, it also does help to increase the supply side and is less inflationary than just a spending increase. Third, the government can focus on low-cost and high-return tax cuts, such as the surtaxes or capital gains. That only applies if Ontario sets out its own tax regime. And fourth, the government can set long-term goals on lowering tax rates and move towards them as fiscal circumstances allow. It at least gives income earners hope that their investment will be rewarded later and also should help stem the brain drain.

If there are any specific recommendations, it would be to raise the income threshold when surtaxes kick in and/or even reduce those surtaxes, and also raise the income threshold for when the highest rate kicks in. That concludes my prepared remarks.

The Chair: Thank you very much. We have approximately 15 minutes for each caucus. I'll start with the government side.

Mr Galt: Thank you very much for your presentation. It was most interesting. Just a couple of quick, short questions. The last presenter was talking about debt reduction, tax cuts and spending. If you were to put it into priority, what would your priorities be now that we're coming to look like a balanced budget—not quite as fortunate as the feds but it's our economy, our policies that probably got them there and they haven't made any tax cuts, but that's beside the point. What would your priorities be for the province as we head into a balanced budget?

Mr Porter: I'm operating under the assumption that we actually already are at a balanced budget and that the latest estimates are on the conservative side. The top priority, I believe, should be reducing the top marginal rates, or marginal rates across the board; second, debt reduction; and third, selected spending increases. Admittedly it's extremely tight between the top two, there are no two ways around that, but I think for the longer-term health of the economy and in terms of improving competitiveness, the top priority should be tax cuts, that is, bringing down the marginal rates.

It is a close call, no two ways about it. Part of that stems from the fact that—keep in mind that Ontario's debt, while it is large in historical terms, in the greater macroeconomic environment, a little bit more than \$100 billion really does not stack up that importantly against the federal government's debt. If you could make the case for what's the greatest risk to the Canadian economy

going forward, it's the federal debt; it's not the levels of provincial debt.

Mr Galt: Which on a per capita basis is roughly double what Ontario's is.

Mr Porter: Actually, I don't think it's necessarily a fair comparison, looking at things like debt to GDP and feds versus the provinces, because the federal government has many more tools at its disposal in terms of debt operations. In terms of what matters for Canadian interest rates and investor sentiment towards Canada, it really is the federal debt that will weigh the heaviest and have the most say in the credit rating of the country as a whole and where the currency is going. So in terms of the macroeconomy, I think the province's debt just doesn't weigh as heavily as the federal debt does.

Mr O'Toole: I just want you to dwell a bit on bracket creep, the brain drain, the difference between the US rate and harmonizing. It was mentioned a couple of times here. You mentioned, thinking long term, that it became an issue and sort of went away. I don't know why it went away because I think long term, for our infrastructure and capital—I'd like your response as to how important critically in the longer strategic thinking process is that issue of knowledge drain, whether it's doctors or researchers.

Mr Porter: I think part of the reason the issue may have gone away, although I'm not convinced it has gone away, but maybe the reason it fell off the front pages at least is that it's not a simple issue. We were basically bombarded with all sides of the debate and even the statistics seemed to conflict. We had studies from C.D. Howe and from Statistics Canada that couldn't even agree on whether the brain drain was important. I would assert that even Statistics Canada's numbers showed there was a significant brain drain, at least in the health care field.

I really don't want to get into the whole debate again, but suffice it to say that we believe that even if we lose a few stars, a few top-flight knowledge workers, that's too many and that can impart a large cost to the economy. We should be doing everything we can to create a healthy environment for investment and one that encourages skilled workers to stay here. Again I would stress that one of the few things the government can have an impact on is taxes.

Mr O'Toole: I think it's an important issue.

Mr Porter: I fully agree. While the public and the media may have lost some interest, I think it's critical for the long term.

Mr O'Toole: On the research side too. I know personally that's where the money is. That is where the researchers and high-techers go. I know that personally.

Mr Arnott: I'm sorry I missed the first part of your presentation, I had to leave the room for a minute, but I appreciate your coming here and advising us the way you have.

You left with us a paper you've written. I don't think you made too much reference to it while you were making your presentation, but something that is really interest-

ting to me is detailing the tax cuts that are taking place in Britain right now under a Labour government and tax cuts that are taking place in Germany today under a social-democratic government which is generally considered to be the left of the spectrum in Germany. It would seem that the traditionally left-wing parties in Europe have caught on to this. It's interesting in Britain to see them cutting capital gains taxes, of all taxes. Obviously they see that as a positive thing.

1620

Mr Porter: It seems to me that things like corporate tax rates and capital gains taxes are almost a no-go area for governments, and certainly for the federal government. Basically what our paper was trying to stress is that there are a number of historically left-of-centre governments that are fully embracing tax cuts at the corporate level, or capital gains taxes. They recognize that there is this intense competition for business investment throughout the world and that capital is extremely mobile and will go to the most favourable jurisdiction. That's a simple fact that I believe has been borne out quite clearly in the past 10 years, and we should try to get over this "taboo" that we can't bring down corporate or capital gains taxes.

Mr Arnott: The one thing that concerns me, I guess, looking at the position we're in today in Ontario—you probably heard the presentation that was made yesterday by the Ministry of Finance officials talking about the trends. They're all positive and some of them overwhelmingly positive, which is good news, yet we can't allow ourselves to become complacent, as you say, in terms of international investment and globalization, where we have to continue to work to be competitive if we're going to get new international investment, which we need to create new jobs. We have to continue to be vigilant all the time. That's where I see our biggest challenge today as a provincial government where we have to, in terms of this committee, take forward advice to the minister as to what should be in the budget. Would you agree?

Mr Porter: Absolutely. Basically, again I would stress that by bringing down marginal rates you sow the seeds for growth down the road. While there may be a small fiscal cost short-term, ultimately it will strengthen the economy and increase investment. That just leads to a much stronger economy over the medium term. That will also help us limit the damage from the boom-bust cycle.

I would go to the first half of my concern, though, and stress that we shouldn't get lulled into a sense of complacency that these are "normal" times. Clearly, revenues are absolutely exploding, but I don't believe this is a sustainable trend. It's not necessarily wrong to have a long-term goal to—we don't have to do it overnight or anything, but it would be nice to sort of set a North Star to aim for. Large-scale tax cuts are perhaps not the best medicine for the Ontario economy right now, given that the economy is already in the midst of a very strong upturn, but since there are supply-side benefits from

marginal tax rate reductions, again, I think that can help sow the seeds for longer-term, more sustainable growth.

The Chair: Any more questions? If not, I'll go to the official opposition.

Mr Kwinter: Mr Porter, thank you very much for your presentation. I want to talk about two separate issues. First, you've spent a great deal of time talking about the automotive industry, and rightly so; it's a major engine of the Ontario economy. I have been following this for some time and I find that there's a bit of a dichotomy in that you say it's boom time in the auto world and Canada is doing great, but there hasn't been a new greenfield investment in Ontario in the automotive sector since the early 1980s. There have been add-on investments to things that are here, but nothing that is greenfield, started from scratch.

Earlier this week, General Motors announced that they are putting the first major plant that they've built in the United States into Michigan to build the Cadillac. You have Mercedes, BMW, lots of Japanese companies all going to the southern United States. Notwithstanding that, we are supposed to be so competitive. Do you have any explanation as to why, if that is the case, these greenfield investments, which are new plants in new locations, are not coming to Ontario because we are the centre of the automotive industry?

Mr Porter: I actually don't find it that worrisome that there isn't a lot of new construction, because one trend we've seen in business investment for the last 10 or even 20 years is basically a more intensive use of existing facilities; in other words, perhaps triple-shifting or increasing the number of machines within a given plant. We've actually seen very lacklustre non-residential construction. Even in the US, the main thrust of business investment has been in machinery and equipment and using existing facilities more intensively. That's essentially what we've seen in Ontario as well over the last 10 or 15 years. I actually don't find it that problematic. Essentially the automaker sees the auto market as quite mature, and the last thing they want to do is build all kinds of new facilities that will eventually be shut down in the next bust. They want to use the existing facilities as intensively as they can during a boom and then scale it back during the next downturn. So I don't necessarily regard that as overly worrisome. I think all you have to look at is the amount of production that is now going on in Ontario. That sector at least has benefited mightily over the last 10 years.

Going back to an original point, though, I think it's important to stress that while the auto sector has done very well and Ontario has done very well in the last couple of years, don't get me wrong: The 1990s were a brutal decade for the Canadian economy. There's no two ways about it. Our growth rate was only a little bit better than 2% throughout the 1990s—that's for Canada as a whole, and Ontario wasn't far away from that—versus almost 3% in the US. It's not as if the Ontario economy has just gone through a long-term, 10-year boom or

anything. On balance, it was quite a rough decade for the economy as a whole.

Mr Kwinter: The other point I want to make is, you refer to various economies that are following suit and making changes to their tax structure. Over the last few years, the poster country that tax cutters were using was New Zealand. I even heard my colleagues on the other side using New Zealand as a model of what could happen with the right government approach to taxation.

I had occasion to see a report just recently where New Zealand is now considered to be or was a basket case, and a new government has come in to totally change all of those particular initiatives.

Do you have any comment on that? Have you been following what's happening in New Zealand?

Mr Porter: On the periphery, I have to admit that New Zealand is not such a large economy that I think it deserves as much attention as it's gotten in the last 20 years. The one thing I would say is that New Zealand is still, to this day, a highly commodity-based economy. They are still very much driven by the farm products they have, and they were extremely hard hit by the Asian crisis and the ongoing weakness in food prices and farm products. I think that actually explains quite a bit of the pain they suffered in the last couple of years. Admittedly, Australia, with many of the same attributes, has absolutely sailed through the last couple of years, but I think that goes back to the fact that Australia is in the process of widespread restructuring and taking many of the right steps.

Turning back to New Zealand, the only thing I would say is that I think that while they have suffered a little bit in the last couple of years, they are still in much better shape than they were back in 1984 before all the restructuring came into play and they are much better off than they would have been had they not restructured. I don't think you can judge an economy by one or two years. You have to look at it over a broad scope, almost over 10-year periods. I think on that basis New Zealand is still doing quite a bit better than it was in the early 1980s.

Mr Phillips: One of your charts here shows Canada's corporate tax rate substantially higher than any other jurisdiction. At the same time, I've got the Ontario document here that says Ontario's combined corporate income tax rate—this is for manufacturers—of 35.6% is four percentage points lower than the US average, indicating at least for the manufacturing sector that Ontario, when you take the federal and the provincial tax rates, is substantially lower than the US on corporate taxes.

Are we looking at apples and oranges here? It would be very helpful to our committee, and certainly to me, if you can supply us with sort of the comparable tax rates in neighbouring jurisdictions.

Mr Porter: Admittedly, this table basically looks at the top corporate tax rates, so effectively this would be for a service sector corporation. This goes back to the Mintz committee report that basically looked at the extreme differences within corporate taxes even within Canada and questioned whether that was still an appro-

priate policy to have, basically to favour the manufacturing sector which, as I pointed out, is doing extremely well in any event largely because of the highly competitive exchange rate and, probably to a lesser extent, the relatively favourable corporate tax rate.

1630

I think you could make a strong case that where the growth will be over the next 10 years will not be in manufacturing per se. It will basically be in the high-tech industry, which is not typically manufacturers. This is really where we should concentrate on helping to level the playing field and bring down corporate tax rates to at least close to the same levels as they are in the US.

We can certainly get different answers depending on what state we look at, what industry we look at. We can probably find some cases where Canada has actually got a more favourable corporate tax regime than the US. That does apply in the case for manufacturers against neighbouring states. Where the growth is going to be, and certainly the stock market is pointing to that, is in the service sector. We should try to balance the playing field a little bit between service and manufacturers.

Mr Phillips: A fundamental difference between us and the US is the way we fund our health care system or the way we pay for it. You can see in the provincial budget it's well over \$20 billion. In income tax we raise around \$16 billion. It is substantially different than the US. At the same time, we hear from lots of people that we've got to find a way to get our tax rates down very similar to the US. The issue then is, if we have identical rates to the US and the average productivity in the US is higher than us, I think we put our health care system at risk.

It is a bit of, as they say, a conundrum. As we move to presentations like this where we compare our tax rates to our neighbouring jurisdictions, how do we factor in the completely different way that we've chosen to pay for health care in Canada?

Mr Porter: There are two points to make there. First of all, I'm not necessarily advocating absolutely mirroring the US tax regime, especially since it looks as if the US will be bringing down their rates even more. It's more that the wedge between US and Canadian rates has absolutely exploded in the last 20 years. We should at least begin to bring that wedge down, not let it widen further, which it is at risk of doing. The faster we could bring it down, the better, I believe, for a long-term healthy economy, for competitiveness and productivity. We should at least begin to address that wedge.

Second of all, I do believe that the fiscal costs of reducing marginal rates, or at least increasing the threshold to which the top marginal rate kicks in, does not carry that big of a fiscal burden. It's not going to put the balanced budget, or even a small surplus, at risk in the years ahead. I am a firm believer that it can improve the supply side of the equation. In other words, it actually increases investment and increases the incentive to work. It helps keep our best workers here. It really doesn't carry that big of a fiscal cost. I'm not convinced that bringing down

some of the top marginal rates would put the health care system at risk.

Finally, the third point to make is, while health care is a huge share of spending, it still is only roughly a third of the dollar. There's still another \$40 billion in spending that we can work on, or at least keep tough restraint on it.

Mr Phillips: The government has estimated job growth at an average of 165,000 jobs a year for each of the next five years, which is considerably higher than your estimates would put it here. The government believes that's going to lead to unemployment potentially in the 2% to 3% range in Ontario. Do you have any comment on—I shouldn't say "how realistic"—the impact of them achieving 165,000 jobs a year in each of the next five years?

Mr Porter: I don't have the percentages in front of me. You wouldn't happen to be able to tell me what kind of percentage growth rate that is per year, would you, 165,000?

Mr Phillips: On about 5.5 million.

Mr Porter: It's about 2%, then, a little bit better than 2%.

Mr Phillips: Yes, 2.5% to 3%.

Mr Porter: That does strike me as being a little bit aggressive for a five-year outlook. I think something on the order of about 1.5% as a trend would be realistic. In other words, that would be on the order of about 100,000 a year, perhaps a little bit stronger, because I think it's going to be quite strong growth in the year 2000. But that does strike me as being a little bit aggressive. I could see the Ontario unemployment rate coming down quite a bit further. I think something in the fours would be reasonable within the next couple of years, but 2% is, needless to say, quite aggressive. Even the lowest unemployment rate state in the US is only around that level, and I don't think we're quite in that zone yet.

Mr Phillips: One comment, among others, that stuck with me was this analogy to Michigan. I think you said we're roughly the same population, we produce roughly the same auto parts, auto business, and so the auto seems to be roughly equivalent, and that they are the most cyclical economy in the US, which is at least a cautionary flag to us here. "A cautionary note" I think is the expression you gave to us. What do you think we should be doing to prepare ourselves for that kind of an environment?

Mr Porter: I don't want to harp on the late 1980s, but during that boom phase basically spending matched the growth in the economy and maybe even exceeded it, and I think it just stoked the boom. I don't want to revive painful memories of how the rest of the country was pointing their finger at Ontario as being the cause for the overly tight Bank of Canada policy, but I think that we are at risk of repeating that same experience if we don't keep as much restraint on spending as possible—simply put.

Mr Christopherson: I want to ask you about the fact that at least five times now the United Nations has chosen Canada as the best place in the world to live. They

didn't predicate that on who has the best tax breaks for either corporations or rich individuals. They didn't base it on who can water down the environmental protection the fastest and to the greatest degree, who can water down their labour laws, who can water down health and safety legislation. All these things had nothing to do with why we were chosen. In fact, the things that chose us as the best place in the world to live were the very things that are suffering now under a regime, with respect, that seems to me to match pretty much what you're calling for. I have personally and my party has some real difficulty with our continuing this kind of agenda.

I realize that from a purely economic point of view, where nothing matters except the numbers—and in large part that's what you do—when the government flashes up one of their charts that says corporate profit is taking off, that's great news. For most people it's probably comforting because they think what it means is that there is going to be some element of security around them economically in terms of their jobs and that maybe, if they hope against hope, some of this benefit will trickle down to them. Yet we have a study from the Centre for Social Justice that points out that just the opposite is happening. People are feeling more insecure. There is less sense of security around jobs, around community. People are worried about the health care system and they're worried about the education system in terms of what it means for the future.

I'd like to hear how you think we ought to be balancing off these things, recognizing that based on the Stats-Can numbers, if we just continue where we're going, what we're going to create is exactly the kind of province and, given how large we are in the Canadian context, ultimately a country that no longer reflects the kind of reputation that the United Nations gives us by virtue of choosing us over and over again as the best place in the world to live.

At some point in the equation, quality of life should come into this, and yet by supporting the ongoing agenda of the current government, the opposite is going to happen. We're going to see a continuing erosion of those things that make this a great place to live, the best place to live, and we're going to see greater and greater disparity in terms of the inequity of the after-tax income between the very wealthy and the poor, recognizing that we're getting a larger pool of poor people because the middle class is being squeezed out, and they're not being squeezed up, they're being squeezed down.

1640

What are your thoughts on how we balance all of that, or if you don't think we should, what do you say to those sorts of things that public services provide for the vast majority as opposed to the very few in our province who have the luxury of being able to buy through private, disposable income whatever kind of health care, education, recreation, location of home etc that they choose? Just some of your thoughts on that.

Mr Porter: First of all, one thing to keep in mind about the UN survey is that if you look at the countries

that rank near the top and the ones that rank near the bottom, it is very closely related to income levels. Many of the services that you talk about, things such as high literacy or health and well-being and a clean environment, are tied to income. In other words, a good environment and a good health system are closely related to a strong economy, so getting a strong economy should be priority number one in achieving many of the other benefits.

I would be the last to question the UN's methodology and be the last person to question whether Canada is the greatest place to live. I fully believe it is. But one thing I would point out is that it doesn't have that fine a line between income levels. In other words, a country such as Canada, where income levels are 20% or 30% below those in the US, was treated almost equally in terms of that measure in the UN survey. In other words, the US doesn't really get any benefit from the fact that it has a 30% or 40% higher disposable income than Canada does in that methodology, just for your interest.

In terms of your remarks on the Centre for Social Justice—unfortunately I haven't seen that report—you mentioned that people are feeling more insecure about their employment situation. That's actually very hard for me to understand, because we do have the lowest unemployment rate in almost 25 years. I think either that survey is based on somewhat dated information or that it can't really be correct, because it's hard to believe that things can get much more favourable on the employment side than what we've seen recently.

Finally, in terms of the middle class being squeezed down, I think that goes right back to one of my main recommendations and that is not to have a punitive tax rate kick in and apply to even what most of us would consider middle class.

Mr Christopherson: Fair enough, I appreciate your comments. I'm going to respond to a few of them.

First of all, we had one of the strongest economies in the world in the post-war era, after the Second World War. That's where the great investments were made that we're living off now, in terms of our road infrastructure, our health infrastructure, our education infrastructure, particularly post-secondary education, our new college system, all under Tories, I might add. It was those investments that allowed us to benefit from the boom in North America that existed at that time. So we had a strong economy. At one time, it wasn't that long ago, we had a strong economy. We had growth and we had emerging social benefits that did benefit everyone, not just those in poverty who needed help with somewhere to live and food, but overall, and helped create the very middle class that you and I are making reference to. I just find it troubling that we've decided that because of global competitiveness and free trade agreements none of that is any longer possible and we have to let go of all that.

When you say we need a strong economy in order to provide for the things that I've mentioned, the reality is that under a regime where tax cuts are the number one priority at the expense of these other parts of our society,

the middle class is dropping. Virtually every income group has lost ground, and the lower you are down on the income scale, the greater the ground that you've lost under the Harris government which has put tax cuts as the number one issue. Our concern is that if this continues unabated and this gap, this polarization, this inequity continues to grow, we're going to lose an awful lot of what we are all about as well as watching virtually tens of thousands of our neighbours and fellow citizens slip out of middle class and get close to poverty.

I worry, especially when you and others do recognize that there's a number of risk factors out there, that the bubble could burst with this economy. If it does, and the American economy starts to slip, we're going to feel it big time. All of the economic gains that you've talked about, in my opinion, will vanish, they will just vapourize, and all that will be left is an economy basically waiting for the American economy to pick up steam, because that's what's pushing us right now. At the same time, all the things that made us great in the past have now been weakened to the point of almost being destroyed. I just don't understand how that is a worthy goal of a province and a country like ours.

Mr Porter: Which goal specifically?

Mr Christopherson: The goal that we would become one of the most competitive economic states within the world that we trade in, but at the same time we make sure that it's not just the very well-off that are benefiting from it, that we're reinvesting it in quality-of-life things like education and health care that ensure that everybody benefits. I point that out because right now the stats are showing us that under the Harris regime the opposite is happening. People are losing ground. People are slowly slipping down in the middle-class bracket and eventually out of the bracket. Unless something changes, I don't see why we wouldn't just continue to see this polarization until we hit the point where the bubble bursts. When the bubble bursts, where are we?

Mr Porter: I think that the Ontario economy would be vulnerable to a downturn in the US regardless of what fiscal policy was in place in Ontario. It's a simple fact of life that after the free trade agreement we inevitably hitched our wagon to the US very closely and that we are going to ride the wave with the US almost more so than we ever have in the past. That's nothing really new.

I think the question there is to what degree do we suffer when the US does ultimately falter. If we set the stage for a strong domestic economy and we have the fundamentals right here, then we can ride it out a lot better than if we don't have the right fundamentals. If we have a huge and growing tax wedge with the US, that is simply going to aggravate the downturn when it comes in Canada.

Mr Christopherson: You talk about riding the wave. Again I would point out that the stats are showing us that in riding the wave now people aren't getting ahead. They're riding the wave but it's in reverse. They're losing ground. Virtually every income group in terms of after-tax income from a family perspective—it's done as

family units—is losing ground, every one of them. So somebody is riding the wave, I agree, and somebody is making tons of money. Corporate profits are up and the government has balanced the books. They've done it on the backs of municipalities and health care and education. There are some winners, but they're not people, they're not families. The people and the families that make up this economic entity called Ontario are losing ground.

Mr Porter: I would point out that disposal incomes took their biggest hit between 1990 and 1995 and they've been slowly but surely creeping back since then. That's average or median disposable incomes.

Mr Christopherson: That's not what the stats support.

Mr Porter: Admittedly, average disposable incomes or median disposable incomes per person adjusted for inflation are still lower today than they were in 1989, but the quickest way to redress that is to reduce taxes and increase disposable incomes.

Mr Christopherson: Here's where I have a problem. If you do that in the way that's been done so far and in the way that I think, if I'm interpreting your material correctly and your presentation, you would support and urge the federal government to adopt also, it means that these tax cuts are exacerbating the very situation I'm describing to you. They're pushing those who already have further away from those who don't. That disparity, that inequity, has not been the Canadian tradition.

Mr Porter: No, I don't think I'm advocating that. I think marginal tax rates should come down for everyone. It shouldn't just be for the very top-end earners. I think the whole broad spectrum of marginal rates should be brought down so everybody has more incentive to invest and to increase their skills in order to earn more. Again I would stress that one of the most important things that can be done is to raise the threshold at which some of those higher levels of taxes kick in, and the people who benefit are low-income earners or middle-class earners.

Mr Christopherson: Again, though, I don't want to be argumentative, but the stats are showing us that it's straight up: The lower that you are down in terms of income the less you benefit. Now the government plays with percentages and talks about the bulk of the money goes here, there and the other thing. When we're talking family units and quality of life and standard of living, the reality is that when you do tax cuts in the fashion that this government has in Ontario, those who are already well off are a whole hell of a lot better off and those who were at the other end of the income spectrum are dropping down further. For the life of me I fail to understand how that's a good thing, given the tradition.

You mentioned that we have the right fundamentals. I guess the difference is that I can't limit myself when I think about the right fundamentals to just the economic fundamentals like interest rates, inflation rate, GDP, all of the things that are normally the fundamentals. For us in Ontario, the vast majority of citizens would see the right fundamentals as being a growing and improving

health care system, not one that's deteriorating, and the same with education. In health care alone, the previous presenter talked about the fact that there was a 33% competitive advantage for our auto workers versus Americans, and a big chunk of that was our health care system. So not only is it a quality-of-life issue but it's a competitiveness issue. Yet we're paying a price in our health care system and education in order to impose the tax cut regime that we have and that I think I'm hearing you suggest be continued.

Mr Porter: You're hearing me correctly all right. Again it's important to stress that the only increases we've seen in disposable incomes, even for the median person, for the average person, have been in the last few years. Things were devastating in the early 1990s because of the deep recession and the restructuring that we saw in Canadian manufacturing and whatnot, and we are at long last starting to see those incomes come back.

Mr Christopherson: I'm sorry, but the reality is the stats are showing us that during the recession from 1990 to 1995, the gap, the inequity between the wealthiest and the poorest, was actually decreasing. The gap was going the other way. We were getting more equity, not more inequity. Now, with a different regime and a different priority, ie, tax cuts, in the greatest economic boom we've ever seen, we've now got a reversal where we have more inequity. That's the reality and that's what's frustrating for some of us in looking at what's happening. The difference between what a headline says and what's really going on and what the government says and what's really going on in our neighbourhoods and in our communities is completely different.

Mr Porter: In the early 1990s incomes were converging towards zero, so if that's the goal you want to achieve, so be it. All I can say is that, again, the middle-income earner has improved in the last few years, whereas they were hit very hard in the first five years.

Mr Christopherson: Let's agree to disagree, because I certainly do disagree and I think there are stats that bear it out. It's not just an ideological, philosophical exchange of ideas. The stats are now there to show us that's not the case. The middle class has lost ground and has lost more ground under a government that's imposed tax cuts and this whole right-wing regime than in the past.

The Chair: With that, Mr Christopherson, the time has expired.

Mr Christopherson: Thank you for the opportunity to have the exchange.

The Chair: Mr Porter, thank you very much on behalf of the committee for your presentation.

ONTARIO SECONDARY SCHOOL TEACHERS' FEDERATION

The Chair: The next presenter on the agenda is the Ontario Secondary School Teachers' Federation. For the record, gentlemen, could you please state your names.

Mr Earl Manners: Earl Manners, president of the Ontario Secondary School Teachers' Federation. On my

left is Dale Leckie, a researcher on educational finance on our staff, and on my right is Mark Ciavaglia, our legislative liaison.

The Chair: On behalf of the committee, welcome. You have 30 minutes.

Mr Manners: Thank you very much. I believe you have a copy of our submission in front of you. I do not intend to read it. I will do my best to summarize it as quickly as possible so there are opportunities for questions.

I'd like to begin, however, by setting the context. I note today that the finance minister is reporting that we have a robust economy, that there are increased revenues, that he's projecting a balanced budget this spring and that we have economic prosperity now and for the foreseeable future in this province. Government representatives may be pleased to hear that I am prepared to accept that as a fact.

I am not going to debate at the same time the causes or the merits of how that was achieved either. You may be happy with that statement. But I would hope that you would show the same degree of recognition when I say at the same time that all of that is true, not everyone is sharing in the prosperity equally.

I think we're all familiar with the plight of the homeless. We all know—Statistics Canada has recently published a report on this—that working people have seen their real incomes decline, especially in Ontario. The old saying that the rich are getting richer and the poor are getting poorer, I think is more true today than it has been. These are real people, real families, and they are real children we see in our schools, and the effects of that we are seeing in our schools as well.

I also want to say that it's not just those people I identified who are not sharing in the prosperity, but it's also some of the public institutions that are there to serve all citizens of this province that have not shared in the prosperity as well. There's been a lot of talk recently about the health care system, but I would add social services and in particular, from my point of view, public education.

I want to talk about public education in particular, because the government has purported to be providing stable funding to our public education system, but it is the public boards that are bearing the brunt of that so-called stable funding. I think you have a chart in front of you that shows you that all but two public boards are getting less and less because of the government funding formula. What we're seeing is a ratcheting down of support for public schools to the very lowest common denominator.

Even if we go to the government's definition of stable funding, I want to point out that it includes restrictions as well, because in the government's definition of stable funding it says that the government will claim that per pupil funding will increase if enrolment increases, but to a maximum of 4%. If there is an enrolment increase beyond 4%, school boards do not receive any additional

funds, so even in that definition there is a cap. If that cap is pierced, school boards in effect lose.

Our report on the first page also points out that some of the additional requirements for boards and staff to implement some of the reforms that have been identified are for the most part unfunded and not included in the funding formula, so they represent an additional cost that's over and above the so-called stable funding.

Finally, when it comes to stable funding I want to refer to the Education Improvement Commission, the government's own self-appointed commission, when it says that boards have been living off the avails of mitigation and transition funding to assure program delivery, that there are cuts coming. They have been deferred for a year or two, but they are coming, and in that definition of stable funding, those cuts will be imposed next year and the year after and the year after that. So the government has built mitigation and transition funding into part of, I would say, the mythology of stable funding.

I think we all have to be concerned about that because the passage of Bill 7, the taxpayer referendum legislation, establishes an artificial ceiling for education spending, but it does not provide a floor for public education to stand on. What happens is that as these cuts come in and as there are further cuts to business and property taxes, that will automatically mean less money for public education unless there is going to be some offsetting funds from other general revenues, and we don't have any guarantee of that. If the economy ever turns bad, it would require a referendum just to maintain the status quo on funding in the future. That concerns us greatly.

1700

It's very real, because right now you know the government has told municipalities only to give 98% of business and property taxes back because they have changed the accounting practices. They have changed the approach to taxation of vacant properties. All of those mean, because the province has taken control over education, an automatic decrease to education funding unless it's offset by other revenues. I hope to hear today from the government members that that's not going to happen. That's one of the reasons why OSSTF does not believe a provincially controlled system of education funding is going to be sensitive to Ontario's diversity.

The third interim report of the EIC I think supports our concern. They mention, for example, the new Toronto District School Board and its predecessor boards, that they had worked in partnership with municipalities in the past to try to ensure the diverse social and economic needs of children were met. They relied on a common property tax system to do that. They developed integrated services, which is something this government purports to believe in, yet they are unable to provide them now because some of those services they were providing in concert with the municipality are not covered by the funding formula.

One of the other areas that the EIC identified was the learning opportunities grant. It is a grant to try and address socio-economic, new immigrant needs in various

communities. However, it's based on 1991 census data. I think everyone would agree that a lot has changed in the last decade in this province.

I'll just give you one example. London, I understand, is one of the fastest-increasing areas for new immigration to this province, yet it's not being recognized in the current funding formula because it's based on 1991 census data. That has led to, for some reason—and I don't have an explanation for it—the Thames Valley public board getting just about half the learning opportunities grant that the London Catholic board receives. So, one, we're not dealing with up-to-date data, and, two, it seems that the public board in particular has been hit the hardest by changes in the funding formula, one of the reasons why it is on the list on the downward cycle.

That is why our first recommendation is saying that we hope the government will consider that there has to be some flexibility built into the funding formula to deal with local needs through the local taxation system in co-operation with municipalities to get the kind of integrated services we all want.

Let me remind you that Minister Eves pointed out on May 4 and July 21 that the growing Ontario economy, which is riding the coattails of the US economy, means the government can reinvest in items that mean most to families, like education. Despite the minister's assertion, our public education system continues to experience cuts.

I would ask you to look at page 7. There you will find a chart which shows you the decline in the number of elementary and secondary staff per 1,000 students in our school system across the province. I want to emphasize that this graph is not about administration. It's about school secretaries, who are the first contact to students who are absent. It's about custodians, who are often the eyes and ears and who protect students and identify unauthorized people in our schools. It's about maintenance staff. It's about library, computer and audiovisual technicians. It's about educational assistants. It's about professional student service personnel such as speech language pathologists, psychologists and attendance counsellors. It's about teachers of adult education and English as a second language, library teachers, guidance teachers, special education teachers.

They have been declining. I would think that all of us in this room would agree that they are not administration, yet in the funding formula some of those people, who provide very important services in the school, are identified as administration. You can see the result in the last few years, what has happened to those employees. They don't know that we live in a prosperous society in Ontario anymore. They're not sure there is prosperity in the future when they see government documents that are leaked purporting to cut a further \$800 million from education.

I want to emphasize that OSSTF does not support the definition of the government about what is "administration." Those personnel we've just identified I don't think are administration, and I don't think anyone believes they

are administration, yet they are being cut today. That's something we've got to address.

While the total number of staff has decreased, average class sizes are increasing. That just makes sense. If enrolment is going up and the number of teachers is decreasing, you can do the math. That means the average class size has to go up despite what it says in Bill 160, because Bill 160 only described an average maximum class size, and the word "average" unfortunately means nothing. For every special-needs class of 12 students, there will have to be an academic class of 32 to meet the funded average of 22. There are many, many classes over the average, and the biggest classes are often those which parents feel are most important; for instance, English and math. Many collective agreements I want you to be aware of prior to Bill 160 included maximum class sizes for various programs, but going to an average class size has put pressure on school boards to cut programs for students at risk which require lower class sizes and are not funded for those lower class sizes or, on the other hand, increase academic class sizes well beyond what they had thought was a reasonable standard maximum in the past.

I should also point out that the funding formula doesn't even mention remedial programs that are mentioned liberally throughout the new curriculum documents. If we're to provide those programs, probably with lower class ratios, then that issue has to be addressed.

I want to talk about staffing a little further and ask you to look at table 1.7 in appendix A, which highlights the fact that student-teacher ratios in Ontario have been climbing since 1995, while in Quebec and the United States they've been declining. We're becoming less competitive in the education sector as a result.

I want to point out too that under freedom of information, OSSTF received documentation from the ministry which showed quite clearly that prior to Bill 160, the average class size in the public secondary school system was below 22, so that in actual fact mandating an average class size of 22 hurt the public school system. It meant our classes had to go up in size.

I think you can see from the chart that two thirds of those job losses have been in teaching positions as a result of that and other cuts. That is money from the classroom. It's had an effect, and I want to re-emphasize that there are fewer teachers and support services as the student population continues to climb.

There are other storm clouds on the horizon, and those have to do with staffing shortages. I'm not just talking about teachers; I'm talking about all staff. There are reports of increased use of temporary staff because we cannot get employees, secretaries, to work in schools. We have education assistants who have not gone through the college system. And of course the study by the Ontario College of Teachers shows that serious shortages of qualified teachers will soon affect schools in every part of the province and that almost every teaching specialty will be hit. This will be exacerbated if the gap between public and private sector salaries grows, as was pointed

out in the London Free Press article reporting on the Conference Board of Canada survey that showed the wage gap between public and private sector workers was continuing to widen.

1710

I think we all know that if you want to ensure you have good, qualified people in front of the classroom in our schools, there's a good way to attract that staff. You make sure you pay them well and you make sure the working conditions are there so that they can do the best job they possibly can.

I note on page 12 that even the Canadians for Responsible and Safe Highways say the same thing in concerns about a driver shortage. We've had a lot of this talk about our highways lately as well. They say exactly the same thing.

Educational employees have seen their working conditions and salaries deteriorate over the last eight years. You know as well as I do that teachers and support staff, for the most part, have not had a raise throughout the 1990s. That has to be addressed if we're going to overcome that looming problem on the horizon.

I won't spend a lot of time on other parts of the funding formula that we have concerns about, but we are concerned about the closing of schools, especially in rural and northern communities. The reason that's happening is that the funding formula encourages school boards to consolidate schools. You get money for every student. If you can house those students in bigger warehouses, you can keep the money. So it's encouraging school boards to create the big box buildings, much like we see in suburbia now, replacing our small-town stores that were the heartbeat of our communities. That's the same logic that is being used in our education funding formula. That's why even the Ontario Federation of Agriculture has come out and said that they are taking an interest in education, because when a school closes in a community like where I taught, in Flesherton, Ontario, that community dies.

I don't want to portray everything as bleak. I want to go back to what I stated as a fact at the beginning. We live in a prosperous province and we can afford to do better for our education system. Ontario, over the last four years, has slipped to 55th place out of 63 jurisdictions in per pupil expenditure, but we know we're not the 55th best economy in North America; we're much better than that. I think our support for education should reflect that.

The Ontario alternative budget suggests that if we are going to restore the funding cut from education spending over the last four years it would require some \$570 per student in Ontario. Inflation has been running a little in excess of 1.8% in the last six years, so it's going to cost more than that. You can see our statistics on that at the bottom of page 15.

I know members of the government have not accepted this calculation of 55 out of 63, but I think there is another way to compare expenditures on education and that's on gross domestic product. If you take a look at the

graph on page 16, you'll note that Ontario is 10th out of 12, out of the 10 provinces and two territories, in per pupil expenditure as a percentage of gross domestic product.

If Ernie Eves is correct, and I believe he is, that the Ontario economy is growing by some 7% perhaps, as he said, then that percentage is going to get even worse unless our public education system benefits from the prosperity. We would accept a definition of stable funding that is tied to the increase in the gross domestic product as one way to ensure that our education system is getting the kind of support that it deserves.

In our recommendations we are saying clearly that we need to build in some local flexibility and input into the funding of programs for our school system. We have to make sure that public education benefits from the growing prosperity by ensuring that we fund many of the components in the foundation grant to take into account inflation, to improve and restore staffing and learning conditions in our schools, to recognize that our educational employees deserve a raise and that per pupil expenditures have to reflect student need. The learning opportunities grant, for one, is an area that needs attention, as does our special education grant.

Finally, one way perhaps to address this in the future is to establish an independent and public process for the annual review and revision of the funding formula that's accountable to the Legislature and not just to the government of the day. That way we would have a bipartisan approach to education funding and support for students and each new generation.

I want to conclude by reminding you again of Ernie Eves's statement, in both May and July 1999, that we have a growing economy and that we can afford to invest in what is important to families in Ontario, like public education. My only question is, when are we going to see it?

The Chair: Thank you very much for your presentation. We have approximately 12 minutes for each caucus. I'll start with the official opposition.

Mr Phillips: Thank you for the presentation.

The Chair: Oh, I'm sorry, it's not 12 minutes; it's about six minutes. It was a half-hour presentation.

Mr Phillips: Everything is cut in half here, grants to the schools—they keep chopping.

Mr Manners: I'll keep my answers short and to the point.

The Chair: When you're Chair, you can chop.

Mr Phillips: Yesterday the government provided us with the educational expenditures. I don't know whether you've had a chance to look at them or not.

Mr Manners: I haven't had a chance to look at them closely.

Mr Phillips: They released the wrong chart initially. I'd appreciate OSSTF looking at it and seeing whether in fact it's consistent with what you're experiencing. What it seems to show is that the money raised off property taxes has dropped by about \$360 million to \$5.5 billion, and it appears to show that the province has increased its

share by a similar amount. It appears to show that total school board operating expenditures are about \$12.7 billion, which is up marginally over the last five years, from roughly \$12.4 billion. Would that be consistent with what your belief is?

Mr Dale Leckie: As the municipal taxes are generated locally, the design of the funding formula is that whatever level the municipal tax creates, the ministry tops it up to the funding formula allocation. One of our concerns is, as the municipal level decreases, the requirement of the government to make up the difference, according to the funding formula. At some point, we're concerned that they're not going not to top that up. If that requires some sort of referendum to do that, then that's our concern.

Mr Phillips: One of the challenges we face is that the language around this is kind of all "funding formula" and it's relatively antiseptic. It's difficult, certainly for the public and I think for many of us, to humanize this. It has been a debate around the funding formula, and as long as the debate is on that ground, frankly, probably the government can avoid the debate on the other stuff.

You do have one recommendation in here which suggests that there be some kind of an independent body that can provide an objective view of it, which intrigues me, although realistically the government will want to control that. I am very interested in trying to quantify what's really happening out there, because as long as the government says, "We're increasing classroom spending and it's just that the dastardly school boards aren't doing it properly," you can get away with a lot. I wonder if OSSTF can help to humanize this and give us a human scorecard on what's happening.

1720

Mr Manners: We'll be producing a report in March that summarizes all of the 5,000 responses of teachers and support staff from across this province in secondary and elementary schools about the impact of all the changes that have occurred to our education system over the last few years—from the new curriculum to the funding formula and its impact on various programs, to the textbooks issue. We are going to be publishing that in March. It's based on 5,000 random responses to a questionnaire, and we think that will give us very much a human picture of what teachers and educational workers are facing in schools and classrooms and school boards today.

We are working with some university personnel in order to do that and to ensure that it's objective, and we hope that it will lead to some suggestions about how we can do further research, with the assistance of education departments in various universities from around this province, to provide us with some clear data about what is actually going on in our schools. We look forward to releasing that in March.

One of the reasons we talked about things like student-teacher ratios and the number of staff to students was an attempt to humanize it. I think everyone understands that if there are more students in a school but fewer staff, the students aren't getting the same level of service, whether it's the teacher in the classroom, whether it's the custo-

dian who cleans that classroom or whether it's the secretary who's making sure that student's application for university or college gets there on time. You can't guarantee all those services as the actual number of staff decline. That's the easiest way we think we can try and portray the funding formula and its impact in human terms.

The Chair: With that, Mr Phillips, I'm sorry that I cut your time in half, but that's the reality of it.

Mr Phillips: Twelve minutes fly by.

Mr Christopherson: Earl, thank you very much for your presentation. Three quick things in the time I've got.

Number one, on page 11 you refer to the number of teachers who are retiring and that they have "jumped at the first opportunity." I think we've all seen that. I just wanted to add my voice to that.

The level of discontent and stress and concern within the ranks of teachers in Ontario ought to be something that alarms all parents. It's sometimes so convenient for many in the public to sort of lump all teachers together and then start commenting on the things they don't like. But individually, it's been my experience that nine times out of 10 the teacher is sort of up on a pedestal like the family doctor in terms of "I've got to pay close attention to everything they have to say about my kid; it has major implications." Those very individuals are under so much stress that I'm not surprised they're jumping.

Where it really registered with me was the number of doctors in Hamilton who told me that the number of teachers they have who are off on stress has jumped to numbers they've never seen before. When you get that kind of endorsement of the message from someone who has no vested interest whatsoever, for doctors to be saying, "I've got more teachers coming in with health problems, stress leaves and all kinds of ailments they didn't have before," then we'd better start realizing that those are the very individuals who are standing in the front of the classroom and their mental attitude towards the work they're doing and whether they feel they're getting the support of their government or not makes a huge difference to the kind of classroom instruction and education that our kids get. Your working conditions are our kids' learning conditions. I don't think you can put it more succinctly than that.

Very briefly, and then I'll give you a chance to respond on those, you mentioned the school closures. Again, how many teacher groups do we have to have come in who continue to talk about yes, some of their own circumstances around funding issues, but the vast majority of the presentations, I say to the government members, from teachers who have come in so far are talking about everything else that's going on around teachers except teachers themselves. They're concerned about school closures and the impact—you talked about this, Earl—on small communities. I've talked to you about this and I know you're aware of it. The impact on inner-city neighbourhoods, where you have schools that are the centre of social activity for a lot of families and kids, is the same impact as one school in a small town or

a village, except that it's replicated maybe a dozen times across a community like Hamilton-Wentworth.

The EAs continue to be an issue in Hamilton-Wentworth, and again I've spoken to you about this. I speak about it everywhere I can. It's outrageous that we've got kids who a few years ago were receiving all the supports they needed to get the education they're entitled to and now they aren't. It's simply because the funding formula has shortchanged our boards. That's it. We've got disabled kids not getting the education they deserve and they're entitled to because this government cut the money that school boards get in order to give effect to their tax cut. It's disgusting.

The last thing—and this one is a question—is you talked about the ranking of per pupil funding in terms of us being 55 out of 63 right now. I want to ask you what your and your association's impression and feelings are about how that's going to affect the quality of the education that our children will have once they come out of the school year. What does it mean in terms of their ability to market themselves, the quality of life they'll be able to build for themselves and their families as a result of the income they can generate and, on an issue we hear over and over here all the time, on competitiveness? What do you think it means to us overall in terms of our ability as we move more and more into the information economy? What does it mean for us as an economy in Ontario if our kids don't have the knowledge and skills they should have?

Mr Manners: If Ontario is 55 out of 63 in terms of investment in education and every surrounding American state is investing far more, then I think we are leaving ourselves vulnerable, not only in the short term but in the long run, to hurting one of the factors that contribute to a strong economy, and that is a well-educated workforce, a well-educated citizenry. You can't keep making cuts and asking people to do more with less without it having an impact on the way they are able to do their jobs.

I think that's why you are hearing more and more concerns about stress and morale. I think teachers and educational workers bend over backwards to do an effective job for kids, because that's what they are there for, but what I'm hearing is: "I'm reaching the last straw. I can't keep doing it at the levels I am and being expected to do more." There's proof of this now too. You talked about LTD. In 1995, the level of LTD among teachers was 7.8 teachers per 1,000. It has jumped, more than doubled, to 16 per 1,000 in 1999. You can't ignore that statistic. That means something. That's a human statistic. That's about people who are saying, "I can't take it anymore." That does affect the classroom and we've got to do something about it.

I don't have the statistics for support staff, but if you are an education assistant and you are trying to deal with four special-needs kids instead of one, as you had in the past, something's got to give. I think what has given in various areas around this province is that some kids are not getting the service they had a couple of years ago. That's not me speaking; that's their parents.

Mr Christopherson: Could I just ask for a clarification, Chair? The 7.8 was in 1995 and the 16 was in what year?

Mr Manners: In 1999.

Mr Christopherson: Thank you, Earl.

Mr O'Toole: Thank you for your presentation. The tone is appreciated, because there have been difficult relationships. I think there are always two parties to a debate or disagreement, and I appreciate that the tone isn't totally adversarial. That's productive. I just want to be on record as acknowledging that, because I recognize there has been some dislocation; you translated it into LTD, or the use of that. I think if we could slow down the rhetoric part a bit you may be able to help as well.

1730

I hope too that historically you would recognize that—I don't want to simplify this, but I'm limited to only six minutes. The debate on this chart has been going on since 1982, about 1980 roughly. It's public versus separate. My point—it's two questions really. When you break your arm in Ontario, whether you are public, separate, Jewish, Arab or whatever, it's the same. Do you support both systems—four systems, actually—being funded equitably across the province, called public education? That's part one. Part two is, what is your view with respect to the UN ruling that denominational schools, more or less in a voucher sense, might be a prudent way of making sure parents of various cultures and values, inner- and outer-city school issues, have a significant role in this issue?

For instance, our culture is changing. Many of our teachers aren't culturally prepared to deal with the issues, let alone technologically prepared to deal with the virtual classroom or distributive learning. These are very complex issues. I think teachers today, as in most jobs, should be thanked. They are going through a tremendous amount of change, which I think sort of articulates itself in the curriculum.

I would put a third part to this: Don't you think we had to freshen up the curriculum and standards? I mean this in a positive way. If you think "no" is the answer to all of these, then get out of the sand, because it's—as much as I dislike it, I had a job for 30 years: That's finished. Would you agree? Not just teachers but all careers will go through significant change.

Mr Manners: I appreciate your comments regarding my tone. Your last comment about new curriculum, I think, is one thing that may have been forgotten in some of the rhetoric of previous opportunities where we have had a chance to meet, Mr O'Toole. We were very much involved in the secondary school reform process and in the assessment review process. We continue to be and always were—even when our differences were at their height, we continued to put a strong emphasis on improving the quality of our schools and improving curriculum. I think you will know that it was our recommendation to the government that the best way to improve schools is to improve the curriculum. We are really glad the minister adopted our position on that. I'm quite pleased about that.

With respect to public versus separate and the chart we put in, I would make a different interpretation. What that chart is showing is that the public school system is being shortchanged, that they had a standard or a level of education they had become accustomed to and, rather than trying to ensure that everyone had that standard, the standard has been lowered and now the public school system is being ratcheted down.

Quite frankly, if you are asking me if that's fair, no, it's not. I don't believe I should be paying for other people's religious convictions, and I would hope you don't either.

Mr O'Toole: Well, I think it's fair to—

Mr Manners: Let me finish; you asked a question. I don't think you would disagree that there is a separation of church and state in our society. We believe in a fully funded English and French school system. We also believe that in a multicultural society we believe in one strong public school system and that we can provide, like we do with heritage language programs, heritage religion programs.

But I want to correct you on one thing. The United Nations did not support vouchers. They said that the current system of funding was discriminatory and you had two choices. You have no obligation under the United Nations human rights covenant to fund religious schools. So other states—other provinces, recently, Newfoundland and Quebec—have chosen to fund one strong public school system. That is something they said was a viable option. It's one I would support. I do not believe in going the other way and funding all religions. I can think of some pretty wacky religions that you and I, through our taxpayer dollars, would have to fund. I'm sure you don't want to support that.

Interjection.

The Chair: Mr O'Toole, I'd like to thank the presenters for their presentation, but we've run out of time.

COUNCIL OF ONTARIO CONSTRUCTION ASSOCIATIONS

The Chair: Our next presenter is a representative from the Council of Ontario Construction Associations. Could you please step forward and state your name for the record. You have 30 minutes. On behalf of the committee, welcome.

Mr David Surplis: Great. Thank you very much, Mr Chairman. My name is David Surplis and I'm president of the Council of Ontario Construction Associations. I notice on the agenda it's singular, but we are in fact a council of many associations, and that's one of the things I want to talk to you about.

With me is Andy Manahan. He knows all the answers. We intend to be brief in our presentation—as you can see, it's not all that voluminous—so that we can in fact engage in some question-and-answer with you. That's what we would like to do, and I think you would too.

For those of you who haven't met us—I don't see very many around the room who haven't, actually—we repre-

sent the Council of Ontario Construction Associations, a federation of more than 40 associations across Ontario, in the non-residential construction field. We'd throw in all those big names there—PCL, Ellis-Don and so on—that you'll recognize, right down to the mom-and-pop, two-person construction companies familiar in all your neighbourhoods and all your ridings. So we cover everything. About 7,000 companies, actually, are represented through COCA, all trades, all disciplines; everything, as I said, except residential. We're not in that. The Ontario Home Builders' Association looks after that aspect.

We would like to start off by saying to the government, to Mr Eves, yes, thank you, we are growing, we are rebounding. The crane is not an endangered species any more. You see more of them on the horizon every day, and we're grateful for that. But to put it into perspective, as we start here, we did drop. We dropped a lot from 1989, roughly. We got to a low of 6.7 billion—that's all our sector of construction did in 1995—and we're up to about 9 billion, as Mr Eves's figures show, for 1999. But in 1990 we were at over 12 billion, many millions of hours. We've got a long way to go. They're crying where we are. There are cycles and all that, but we haven't rebounded to where we were. As we say in our presentation, the SuperBuild fund and the amounts committed to universities, colleges, hospitals, schools and so on are very welcome by all our members and we're certainly hoping to get the 2008 Olympics here. That would be a real shot in the arm.

Yes, we're grateful, but even with the boom I wanted to point out to you that historically the construction employment—and that's all, including houses—is roughly 6% of the workforce. Right now we're at just over 5%. So in other words there's growth in the Ontario economy but we're not sharing in it, we're not growing as the rest of the economy was. That's a concern to us. So is the drop in apprenticeship applications—a drastic drop in apprenticeship applications. Of course, we've been following these hearings today on the television, as much as our doctors advise us it's bad for your health to do that, but we have. I would like to say, for instance, Mr Galt mentioned the loss of jobs over the last decade. In construction, we actually lost 85,000 jobs in that period—that's just construction—and over 100,000 from the workforce disappeared in that period of time.

1740

What concerns us, of course, is nobody seemed to notice that. When a van plant shuts down or something, everybody goes into high gear, "Let's fix that up," but when 85,000 jobs are lost in the construction industry nobody seems to notice, which is perhaps as much our problem as anybody else's.

But as we point out, and we will talk about it, we hope, perhaps later, one of our problems is we don't have a minister or even a department of a ministry responsible for our sector of construction. Mr Kwinter would know that well, having been the Minister of Economic Development and Trade. Over there in MEDT they have all kinds of sector areas and so on. The non-residential con-

struction industry, all thousands of companies and billions of dollars of output that we have, merits in that ministry one half of one researcher. There's no department for construction or anything like that. There's aerospace and IT, and all of those are important, but there's one half of one researcher in that ministry devoted to non-residential construction.

We hope things can change. We're not asking for a ministry of construction or anything crazy like that, but there are things we're starting to talk to the government about that we can do to do that.

Now let's talk about the budget. That's what we're really here for.

We're thrilled that the deficit is being wrestled down and that the jobs are returning. We're torn, as others are presenting to you, with what to do with the income after the deficit is removed. Keep paying down the debt or spend some on capital projects? Naturally, we're asking for capital projects because we frankly see them as an investment. Sewer and water main, for instance, is in dreadful shape, as the Provincial Auditor told you more than a couple of years ago now, but it's a thing that's easily forgotten. It's underground. People forget about it, take it for granted.

We, frankly, agree with one of our main members, the Ontario Sewer and Watermain Construction Association, who have been pushing for years for full cost recovery of water systems in Ontario. We don't see why the average household is subsidized to the tune of around \$500 a year. We don't see consumers trying to pay less for their gas, their cable, their telephone or anything like that. Why is water subsidized?

I know the answer from the government has always been, "It looks like we're raising a tax on somebody." We don't quite see it that way. We see it as full cost recovery. That's what the freight is. Let's pay the freight in water and then require the municipalities to have funds to maintain and upgrade those very precious systems, especially with regard to water, that are important to us all.

So we're very keen on infrastructure and, as our Catherine Swift said earlier today, real infrastructure. That's what we want to see: real sewers and water, real roads.

Roads, of course, are another very important concern of ours. We think that Queen's Park has done a pretty good job. In fact, our members tell us that with the maintenance and upgrading of the highways under your control, the job is pretty good. But those ones that were passed off to other jurisdictions, they have some concerns about. They don't see the other jurisdictions being able to keep up and certainly to expand, and that's what we need. With NAFTA, with the pressures of international trade and so on, we need more attention paid to highways—we really do—border crossings and so on.

We recommend, as does our member the Toronto area Road Builders' Association, that you co-operate with the federal government on the federal highways program. It sounds to us from the noises coming out of Ottawa as if the federal government caucus in Ontario wants to spend

money on roads, is willing to spend money on roads in Ontario. Fine. If that's the case, let's do it. We're not sure if politics interferes with that or what, but if there's money, let's get to it.

We want to talk to you briefly about revenue leakage, because it isn't just at the Workplace Safety and Insurance Board, which is a whole other problem and it isn't under your purview right now. We see that problem as a huge one at the board, and it carries over to the provincial sphere.

We think that this business of the so-called independent operators, which are just burgeoning all over the place—according to our research less than 50% of the workforce in construction is registered at the Workplace Safety and Insurance Board.

The rest are—we don't know—well, frankly, we do. Lots of companies are evading by just not reporting. But all kinds of other companies—and this is a fascinating concept—are firing their employees on Friday, the employees whom they had for years and they were paying for this, that and the other thing, making the deductions, and hiring them back on Monday as independent operators for whom they make no remittances and no deductions. They pay them cash at the end of the week and "presumably" the worker pays those remittances himself or herself. We don't think that's the case. We certainly know it's not the case in terms of WSIB.

Just a quick example for the economy, for the budget here—and we have mentioned this to Mr. Eves's staff: The cut-off for EHT is a payroll of \$400,000. If you have 10 construction workers averaging roughly \$45,000 per year for 1,500 hours, you get nine of those workers and you break that barrier and you pay EHT. You remit EHT to Queen's Park. But if the nine workers are independent operators not one cent is paid to Queen's Park.

Frankly, we think that's wrong. If the test is not met, if they're not true independent operators—and most of the ones we see, believe me, are not independent operators—there's something wrong there, and we'd like to work with the government on that kind of thing. We frankly think that if that's the case and if there is that kind of interesting arithmetic, shall we say, at the board where people are avoiding their payments—which, by the way, causes huge problems for us in terms of the companies that can't avoid—the companies that pay are going to have to pay higher and higher premiums as more and more people escape their obligations and don't pay. The board, for instance, says, "Oh, well, you have a dreadful accident record." Not so; our accident record has been dropping like a stone, but people have been diving out of the rate groups and declaring their own rate groups and so on. Anyway, we think that transfers into the sphere of provincial income, especially with regard to EHT. It's so easy to avoid and evade.

We want a competitive and growing construction industry. That goes without saying. A dynamic, growing construction industry reflects greater production, investment and revenues, both private and governmental. We

don't have a minister responsible for construction, but you can carry that message back.

We want very briefly to mention—we'd like to start discussing with somebody in government, and we did have a chance with the one window to get started on that process with Mr Beaubien—that in the state of Victoria in Australia they've made some wonderful advances, amazing changes. They have taken the whole construction industry and packaged it. They've required everybody to be registered and show your coverage on this, that your liability insurance is there and all those things are there before you get a building permit. Simple carrot and stick. If you don't have a health and safety program that works, if you don't have this, if you don't have workers' compensation coverage, you don't get a building permit, so there's compulsory registration.

They've privatized the inspection and approvals process—great idea. Much like the TSAA here, the Technical Standards and Safety Authority. They've hived it off from government. It's self-funding by the industry in Australia. It ought to be a natural for the government to look at. They've also put limitations on liability for the practitioners but have required them to have liability insurance that covers that period. In other words, 10 years is your liability window, but you must have coverage. If you design a building or a bridge or something and you retire, your insurance has to be there for the next 10 years.

Those are some of the things we wanted to bring to your attention. Basically, our message is we are improving, very much so, in the industry. We could improve a lot more and we'd like to, and we'd very much like to have a minister to talk to in terms of non-residential construction. So, any questions, monsieur?

The Chair: We have about three minutes for each caucus.

Mr Christopherson: Thank you for your presentation. I wanted to echo your concern around the sewer and water systems. Again, having spent five years on local—regional and city—council prior to coming here, I'm quite familiar with this as a problem, both in terms of what it means for the environment of local communities, the health of the residents of those communities and the cost. You're right: Out of sight, out of mind. People flush the toilet, turn on the tap, and never give it another thought. In Hamilton, and I'm sure you've run across this in a lot of the older established, larger communities like ours, we still have a lot of the combined sewage and it still creates huge problems. We have the overflow tanks that help during some storms, but you still can't catch it all that way. At the end of the day, they've got to be replaced, they've got to be separated, they've got to be brought up to date.

1750

I know the Americans had talked about undertaking an infrastructure renewal program, and I wonder if you could tell me what you know about that. Are they still at the advocating-lobbying stage or have they actually got money committed, cost-sharing with states, and is the

work getting done? If so, where does that leave us vis-à-vis the relative comparativeness of our mutual infrastructure systems, recognizing that in some ways it's like the roads? If you have problems there, things are going to shut down and you're not going to get services. But can you give me an update on where we are with that?

Mr Surplis: The Ontario Sewer and Watermain Construction Association had a big presentation on that last year. Federal and provincial things—the things you're talking about would be more looked after by the Canadian Construction Association. We would take our lead from there.

Mr Christopherson: I see.

Mr Surplis: But we do understand—just a quick answer—the program is underway. Money has been allocated and is being spent on those very things. Everybody at the conference was saying, "How about here?"

Mr Christopherson: Do you have any sense of why the provincial government so far has not signalled more positively to our federal government their willingness to partake? Do you have a sense of what that is? Or maybe colleagues from the government backbenches can do that for us.

Mr Surplis: I haven't a clue, no. Well, for instance, we've got a similar sort of problem that we talked to Mrs Cunningham about on apprenticeship. We don't have an agreement, Ontario and the federal government, to flow some funds on that, and we recognize there's a problem there. We'd like it resolved but that's all we know, that there's a problem.

Mr Galt: I thank you for your presentation. I'm a little surprised you watch the legislative channel. I thought it was only my mother who watched it on a regular basis.

The figure I was using was net job loss during the first half of the decade, not the grand total job loss.

Just a clarification. The way you were saying it, it sounded like once you went over \$400,000 in payroll to that ninth person, you then had to pay it for them all. My understanding was that the first \$400,000 was deductible, so to speak.

Mr Surplis: Absolutely, but if you have a payroll over \$400,000, you pay.

Mr Galt: It's a little bit over.

Mr Surplis: It's the cut-off or whatever, yes.

Mr Galt: Your comment about "fire on Friday and hire on Monday," is that all about the excess payroll taxes that companies found themselves in and to bail out of that, that requirements are so much less if it's contracted? Is that the reason they went that route?

Mr Andy Manahan: There was a study released in November 1998 by the Ontario Construction Secretariat, a labour-management type organization. They looked at the underground economy and they looked at a number of factors that precipitated that. They said one of the major ones was the introduction of the GST in the early 1990s. Obviously we were in a recession during that time, and so there were contractors and workers and so forth who wanted to avoid certain obligations.

That attitude, unfortunately, has pervaded the industry so that now certain companies are underground. Even though things are a little bit buoyant, they've become accustomed to that system and so they've tended to remain underground.

In the whole issue about gravitation towards an independent operator, we're seeing a trend, certainly in the non-residential side as well right now, in terms of piecemeal type work. A company that used to be very large and had, let's say, 15 employees has now subcontracted a lot of that work out. That gets passed down the line and everyone is responsible for paying their own benefits, so you're actually getting down to a situation where you might now have 15 companies with one individual so they don't have to register with the board, they don't have to pay the EHT and that sort of thing. It's an unfortunate trend in the industry. To a certain degree it represents an efficiency in the industry, but it certainly hasn't helped governments and organizations like the WSIB collect money and has put those other firms that have to pay for the injured workers and so forth at quite a disadvantage because there are fewer legitimate companies that are trying to cover those costs.

Mr Galt: Is there a little time for my colleague Mr Arnott to ask a quick one?

The Chair: He's got 45 seconds.

Mr Arnott: I want to ask about your suggestion concerning full-cost pricing for the provision of water services. Water's an essential service for every household, yet I think your idea would lead to improved water conservation and we should be concerned about that over the long run. You said the provincial government ought to set standards. Can you expand somewhat on that?

Mr Surplis: We could and we will. Actually, we're carrying the message for our member, the Ontario Sewer and Watermain Construction Association. They have all the studies on that and can tell you more about that. But yes, they have the figures. They have a very convincing argument. It was just always that people were loath to pass it on because people's costs would go up: "It looks like I'm going to pay more." Well, yes, they would.

Mr Arnott: If it means ensuring over the long run—

Mr Surplis: Exactly. If the provincial government sets those standards, requires a fund to be set up by the municipalities for those purposes—there's more detail. We will send it to you and obviously to the Treasurer.

The Chair: Thank you very much. For the official opposition, Mr Kwinter.

Mr Kwinter: Thank you very much for your presentation. This whole underground economy situation is something we've looked at over the years, and it would seem to me that it's really endemic to your particular industry because of the nature of it. It's a transient kind of thing. It isn't that you have a factory at one site and someone can come in and do an audit, say what you're

doing. Unions are a problem when tendering takes place. They want to be competitive, so they want to get non-union labour. There is all sorts of motivation on behalf of the general contractors who are bidding on jobs to get competitive and to try to be so. How do you deal with that as an industry?

Mr Surplis: It's so hard. Everybody's had a look at it. As I suggested, in Australia they've done it by requiring everybody to register—everybody. You just can't get a building permit unless you do that. That's pretty strong stuff, and a lot of our members weren't very thrilled about that kind of talk a number of years ago, but when they saw that it might correct things—we have an interesting experiment going on right now; labour and management together are promoting the use of smart cards in the construction industry to show people's health and safety training and their this and that, all of those things. It's very economical. You can track everything. We're not suggesting Big Brother statism here, but the costs are so horrendous. It's getting to the point—and by the way, I would like to point out that it isn't just the construction industry. There are all kinds of industries that are hiving off their employees and having people work at home and so on as independent contractors. They don't have employees any more, so therefore they don't make the deductions and so on. There are lots of big companies out there that have maybe four or five employees and 200 or 300 independent contractors working with them.

But back to construction. It took four years in Australia to bring their system into place. It required bargaining and horse trading and all of that kind of thing, but believe me—we're expecting a third report on how things are operating in Australia in about another six months—everybody apparently down there loves it and it's really working. I think it's helped stem the underground economy there too. So perhaps that's the answer.

Mr Kwinter: Do you have any idea of what proportion of your business is underground?

Mr Surplis: It depends. According to the study done by the construction secretariat last year, anywhere up to 40% and 50% in some areas.

Mr Kwinter: That's significant.

Mr Manahan: It was higher on the renovator side of the residential industry, less so in non-residential, but we have seen a gravitation on both sides.

Just on the aspect of the smart cards, there was a presentation put together by an individual from the millwrighting council which is quite good, and I will get you a copy of that presentation.

The Chair: Thank you very much on behalf of the committee.

That completes the agenda for today. This committee will reconvene in this room tomorrow morning at 10 o'clock. We're now adjourned.

The committee adjourned at 1800.

CONTENTS

Wednesday 2 February 2000

Pre-budget consultations	F-61
Canadian Federation of Independent Business	F-61
Ms Catherine Swift	
Ms Judith Andrew	
United Steelworkers of America; Ontario Alternative Budget Working Group	F-70
Mr Hugh Mackenzie	
Royal Bank of Canada	F-77
Dr John McCallum	
Centre for Social Justice	F-86
Ms Armine Yalnizyan	
Warren Jestin; Aron Gampel	F-95
Nesbitt Burns	F-104
Mr Douglas Porter	
Ontario Secondary School Teachers' Federation	F-111
Mr Earl Manners	
Mr Dale Leckie	
Council of Ontario Construction Associations	F-117
Mr David Surplis	
Mr Andy Manahan	

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Chair / Président

Mr Marcel Beaubien (Lambton-Kent-Middlesex PC)

Vice-Chair / Vice-Président

Mr Doug Galt (Northumberland PC)

Mr Ted Arnott (Waterloo-Wellington PC)

Mr Marcel Beaubien (Lambton-Kent-Middlesex PC)

Mr David Christopherson (Hamilton West / -Ouest ND)

Mr Doug Galt (Northumberland PC)

Mr Monte Kwinter (York Centre / -Centre L)

Mrs Tina R. Molinari (Thornhill PC)

Mr Gerry Phillips (Scarborough-Agincourt L)

Mr Toni Skarica (Wentworth-Burlington PC)

Substitutions / Membres remplaçants

Mr John O'Toole (Durham PC)

Mr Steve Gilchrist (Scarborough East / -Est PC)

Clerk / Greffier

Mr Tom Prins

Staff / Personnel

Mr David Rampersad, researcher, Research and Information Services

Ms Elaine Campbell, researcher, Research and Information Services



ISSN 1180-4386

Legislative Assembly of Ontario

First Session, 37th Parliament

Assemblée législative de l'Ontario

Première session, 37^e législature

Official Report of Debates (Hansard)

Thursday 3 February 2000

Journal des débats (Hansard)

Jeudi 3 février 2000

**Standing committee on
finance and economic affairs**

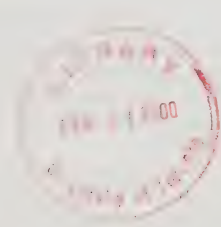
Pre-budget Consultations

**Comité permanent des finances
et des affaires économiques**

Consultations prébudgétaires

Chair: Marcel Beaubien
Clerk: Tom Prins

Président : Marcel Beaubien
Greffier : Tom Prins



Hansard on the Internet

Hansard and other documents of the Legislative Assembly can be on your personal computer within hours after each sitting. The address is:

<http://www.ontla.on.ca/>

Index inquiries

Reference to a cumulative index of previous issues may be obtained by calling the Hansard Reporting Service indexing staff at 416-325-7410 or 325-3708.

Copies of Hansard

Information regarding purchase of copies of Hansard may be obtained from Publications Ontario, Management Board Secretariat, 50 Grosvenor Street, Toronto, Ontario, M7A 1N8. Phone 416-326-5310, 326-5311 or toll-free 1-800-668-9938.

Le Journal des débats sur Internet

L'adresse pour faire paraître sur votre ordinateur personnel le Journal et d'autres documents de l'Assemblée législative en quelques heures seulement après la séance est :

Renseignements sur l'index

Adressez vos questions portant sur des numéros précédents du Journal des débats au personnel de l'index, qui vous fourniront des références aux pages dans l'index cumulatif, en composant le 416-325-7410 ou le 325-3708.

Exemplaires du Journal

Pour des exemplaires, veuillez prendre contact avec Publications Ontario, Secrétariat du Conseil de gestion, 50 rue Grosvenor, Toronto (Ontario) M7A 1N8. Par téléphone : 416-326-5310, 326-5311, ou sans frais : 1-800-668-9938.

Hansard Reporting and Interpretation Services
3330 Whitney Block, 99 Wellesley St W
Toronto ON M7A 1A2
Telephone 416-325-7400; fax 416-325-7430
Published by the Legislative Assembly of Ontario



Service du Journal des débats et d'interprétation
3330 Édifice Whitney ; 99, rue Wellesley ouest
Toronto ON M7A 1A2
Téléphone, 416-325-7400 ; télécopieur, 416-325-7430
Publié par l'Assemblée législative de l'Ontario

LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
FINANCE AND ECONOMIC AFFAIRSCOMITÉ PERMANENT DES FINANCES
ET DES AFFAIRES ÉCONOMIQUES

Thursday 3 February 2000

Jeudi 3 février 2000

The committee met at 1004 in room 151.

PRE-BUDGET CONSULTATIONS

The Chair (Mr Marcel Beaubien): Good morning, everyone. It's five after 10. The meeting is supposed to start at 10. I'd like to bring the committee to order.

Mr Gerry Phillips (Scarborough-Agincourt): Mr Chair, before we begin with the first witness, I wonder if I might request the clerk or the research person to provide us with two or three pieces of information. One, yesterday one of the presenters was talking about relative tax levels. I wonder if we mightn't see if we can find the relative tax levels—I know that the ministry produced a chart with tax levels versus other provinces, corporate, sales and all those sorts of things, but also in neighbouring jurisdictions in the US, or as many as we can find.

The Chair: Mainly Michigan?

Mr Phillips: Michigan, Illinois, New York, just three or four, because I think we had kind of conflicting evidence yesterday on the level of corporate taxes in Ontario, taking into account federal and provincial tax.

Secondly, I noticed that at the Premier's conference today there is a document being presented, prepared I gather by provincial governments, on future deficits. It looks like it's a public document, and I wonder if we mightn't get that document.

Thirdly, I think at least two of the economists yesterday indicated they would send us some information, kind of their economic outlook. I just assume we'll get that and circulate it.

The Chair: I'll make an undertaking that as soon as we get that I'll make sure every member gets a copy of it.

Mr Phillips: Do you need a motion on those requests, Mr Chair?

The Chair: I don't think so. It's a reasonable request and we'll follow through with it.

MENNONITE CENTRAL COMMITTEE
ONTARIO

The Chair: Our first presenter this morning is a representative from the Mennonite Central Committee. Could you please step forward and identify yourself for the record. On behalf of the committee, welcome.

Mr Brian Enns: Thank you very much. My name is Brian Enns, from the Mennonite Central Committee Ontario. I'm the Queen's Park representative. With me today is Evan Heise, the Toronto regional director.

Mennonite Central Committee is the relief, service and development agency of North American Mennonite and Brethren in Christ churches. MCC seeks to demonstrate God's love through committed men and women who work among people suffering from poverty, conflict, oppression and natural disaster. MCC serves as a channel for interchange between churches and community groups where we work around the world. MCC strives for peace, justice and the dignity of all people by sharing our experiences, resources and faith in Christ.

MCC was born in 1920 in response to hunger and human need caused by war and revolution in Russia and the Ukraine. In 1940 MCC began to grow in response to the agony of World War II. MCC found alternative service opportunities for conscientious objectors during the war, and established relief and refugee programs in Europe at the war's close. In the 1950s and 1960s, MCC programs expanded into Asia, Africa and Latin America.

MCC Ontario administers local programs and co-ordinates fundraising efforts for overseas work through its five program areas:

Global Neighbours coordinates material aid for disaster relief and administration of relief sales. This program also aims to increase understanding of the causes and realities of global and local poverty, and to nurture faithful responses to these causes.

Newcomer support program: MCC Ontario endeavours to work and walk alongside a variety of people who come to our communities from outside Ontario, especially refugees. The Mennonite New Life Centre of Toronto celebrated its 15th anniversary recently. It now serves approximately 700 people a month from over 70 countries with settlement, advocacy, counselling and language programs.

Peacebuilders program: This program seeks to understand and address issues of violence and approaches to peace in the home, community, and the world. To this end, the Peacebuilders program works at issues of family violence, victim-survivors and perpetrators of violent crime, peacemaking in communities experiencing conflict and the promotion of peace theology and thinking.

Aboriginal Neighbours: This program attempts to make real the fact that First Peoples and our peoples are

neighbours. MCC Ontario supported its churches in building relationships with neighbouring aboriginal communities, supported an archival researcher position with the Saugeen Ojibway First Nation, and assisted in providing a violence reduction team in Caldwell First Nation during a period of tension.

We seek to act responsibly in humbly "speaking truth to power," which includes a concern for the public policies of governments, especially in Canada and the United States. With this history and identity, we come to you today to share our experiences and concerns.

The three major concerns that we have are related to housing, the environment, and aboriginal issues.

1010

Housing: The lack of affordable housing is a major factor in perpetuating homelessness and poverty. Promises of federal money for housing should be matched by provincial funds and a concerted effort to build affordable housing. Emergency housing and shelters, while needed, are not answers. Downloading—also called devolving—social housing to the municipalities and hoping that private builders will fill the void are two policies that have not resolved the lack of affordable housing.

The Golden report on homelessness, commissioned by the mayor of Toronto, understands the political reality that may frustrate any attempts to end homelessness:

"The task force acknowledges too that the prevailing political climate may not seem to favour spending money on housing and support programs, as we recommend. However, our report demonstrates that the problems are solvable and that the solutions are available. On that basis we have a moral obligation to take the actions needed."

Mary's Place, the only general emergency shelter for women in the Waterloo region, helps women who have been forced from their homes and into the street. MCC Ontario's efforts to provide a social network for these women is only a partial solution. Affordable housing is needed to move these women out of the temporary refuge of the shelter. The government should ensure that adequate affordable housing is available to all who need it, as this single step will make the biggest impact on levels of poverty.

MCC Ontario has been involved with Low-German-speaking farm workers in southern Ontario who are a necessary part of our economy. MCC Ontario provides different services and resources to help them, but the families have difficulties in finding affordable housing. MCC Ontario is there to provide part of the social support network for these families but requires the province to work in partnership with us to create incentives to build where the vacancy rates are very low or there is no affordable housing available.

Environment: In order to ensure a sustainable society, we should consume natural resources at a rate that is sustainable. By consuming at this optimal rate, we can preserve the environment for our children. Hence the province's current natural resource policies must be

mindful of the future and not dwell on the immediate satisfaction of economic profits. A policy of economic growth that understands growth in terms of profits within the next 10 years will not adequately provide for the proper management of resources.

The Ministry of Transportation should have the environment as a priority. It should encourage the use of public transit and provide funding for the upgrade of public transit. The gas tax could be used toward these goals and should also be used to offset the social and environmental costs of busy highways. The ministry should think in terms of how it can reduce traffic, not how it can redirect it through building more roads.

MCC Ontario has a staff person in Timmins who was involved in one of the Lands for Life round tables. Out of this experience and with his relationship to the First Nations, he is concerned with the Ministry of Natural Resources' dwindling budget. Without adequate funds, the ministry has handed over responsibility for planning and management to industrial users. MCC Ontario sees a need to rebuild the capacity of the Ministry of Natural Resources to meet its legal mandate to manage Ontario's resources.

Aboriginal issues: Jubilee calls for the return of land to its ancestral owners. This has a special significance to Canadians who recognize the importance of aboriginal peoples. Aboriginal issues should be a focus for the province's activities, in coordination with the federal and municipal governments. All parties must renew their activities to help those aboriginal people in urban areas who are experiencing the harsh realities of poverty. The parties should also ensure the fair settlement of land and resource negotiations. It is important for the province to implement programs in collaboration with aboriginal peoples, something that was not done in the Lands for Life deliberations.

MCC Ontario has a relationship with the aboriginal community at Cape Croker. This community has been trying to reach an agreement over resource co-management with the Ministry of Natural Resources for a long time. The ministry has been handing over its responsibilities to private industry or sport fishing and hunting associations. In effect, the ministry has excluded the aboriginal community from decision-making over resource management and increased the participation of groups that will not listen to the aboriginal community. In giving up its responsibilities, the Ministry of Natural Resources prevents a dialogue that is open to all sides of the issue and does not facilitate decisions that are made with the best interests of all people involved. We ask the government to take the necessary steps to ensure there is the financial capacity for the co-management of natural resources with aboriginal communities in Ontario.

The main point that we can take from Dr Mustard's report on early childhood development is that all levels of government and communities must work together. One of the report's conclusions reflects this:

"Society's support for early child development is dependent on the understanding and appreciation among

all members of society of the fundamental importance of the early period of human development. To improve the outcomes for all children in their early years, there has to be a willingness to create and support the development and operation of early child development and parenting centres. The involvement of the different sectors of society, both public and private, is crucial for creating the centres and the integration among the different sectors of society to help build what has been described as social capital or social cohesion, which is thought to be a key factor in long-term economic growth and the maintenance of tolerant democratic societies."

This is where the notion of a moral foundation is necessary. The government needs a moral vision to ensure the cohesion of its citizens, especially where the welfare of our children is at stake. This is a cohesion that cannot be created out of economic benefits or prosperity.

Our main reason for highlighting these three concerns—homelessness, the environment and aboriginal issues—is the Jubilee vision. The year of Jubilee has received international attention with its effort to eliminate the national debt of the poorest countries. Jubilee is an ancient Hebrew concept to be practised every 50 years. At that time, Jubilee required people to forgive all debts, return land to its ancestral owners and limit food production to what would feed the family.

Jubilee provides a framework for the priorities and values of all peoples: (1) freedom from the bondage of poverty; (2) equitable distribution of wealth; (3) sustainable environmental practices. We believe these priorities and values can be translated into the policy objectives that we have suggested. Then I go on to list all three that I have mentioned already.

In last year's budget speech, Foundations for Prosperity, Minister Eves stressed the importance of economic growth and imagined "a tomorrow where all Ontarians can benefit and families prosper from the foundations we have created together." What we need to see in Parliament is a critical discussion of what constitutes a "benefit" and what value lies in "prosperity." The desire for more wealth is a means and not an end. Without a moral foundation, "prosperity" will ultimately mean greed and inequality.

The vision of Jubilee provides three goals as an alternative: an end to poverty, redistribution of wealth, and sustainable environmental practices. Through this budget, the government can provide for the good of all Ontarians by allocating resources according to these goals and stating the moral foundation of its policies.

The Chair: We have approximately five minutes for each caucus. I'll start with the government side.

Mr John O'Toole (Durham): Thank you very much for a very interesting perspective on the future of society. I think on an emotive level I probably support most of the concepts in a general moral sense. In a sense of reality, I have some difficulty agreeing with the basic premises. I hope you don't interpret that as being cynical but perhaps, more appropriately, realistic.

I guess the moralizing part of it starts here. I don't disagree with the fundamental building blocks here of housing and environment. On the aboriginal issues, I would leave that for the Superior Court to deal with, as they are now. Once you give them the gold and the trees, I guess the decision has kind of been made. Once they get their hands on the gold, they own it all, and then it's power and money. They will be in the same game as we're in.

One thing struck me. Being the parent of five children, and I believe that's the basic unit of society, I want to ask about page 3 on the Mustard report. You state at the very end that there is a notion that a moral foundation is necessary. As I've stated, I agree with that. Then you say, "The government"—I have some problem with that—"needs a moral vision to ensure the cohesion of its citizens." I don't agree with that totally. I see that as, who is in charge, the state or the individual? That's a higher level order of ideology. Who is responsible for my children, you or me?

Mr Enns: We both are. It doesn't have to be one or the other.

Mr Evan Heise: We are a collective. I don't think that's the right answer, but it's an answer.

1020

Mr Ted Arnott (Waterloo-Wellington): I'm not sure I have a question. I apologize for being late. It usually takes me about two hours to get here from home and this morning it took about three.

I want to thank you very much for coming in to share your ideas with this committee. The Mennonite Central Committee has an important presence in my riding of Waterloo-Wellington, and I have a profound respect for the work that you do. Certainly the relief that you provided our area when we were struck by a tornado in 1985, and then again 1996, was very much appreciated. You do extraordinary work in the communities that you serve, and I want to thank you for that and thank you for your presentation today.

Mr Doug Galt (Northumberland): If I may, just a quick question. Thank you very much for the presentation. The things you're presenting to us, I think it's motherhood and we generally support it.

I'm just curious on your position on the debt that the country has and what we're giving to our children, which we've created over about three decades, three and a half maybe. It works out to something like, if you divide it out, \$10,000 for every man, woman and child in Ontario, and federally it's about \$20,000. They're very rough figures and some people would debate those, but it's in that general area. What's your feeling on leaving that for our children? Are we not being responsible to try and get rid of some of that, or do you see that the things you're promoting should be paid for ahead of getting rid of some of that debt on our children as they walk into the workforce?

Mr Enns: No, MCC believes in stewardly economics. I think part of that is taking care of that debt. The Jubilee initiative looks at the debt of all nations in trying to

eliminate that, just exactly for the reason that you said, because in the long run it will affect our children. But again, that concept of stewardly economics takes into consideration a lot of other things, not just the debt but also what's happening right now. It's part of it all.

Mr Galt: I think we're almost on the same page.

Mr Phillips: I want to thank you for being here. I do follow the work that your organization does and it's first class. I hadn't planned to ask this question, but I'll follow up on one that was just asked. The Harris government, since it got elected, has added about a \$22-billion debt to the province. That's about a 25% increase. At the same time, people making \$250,000 a year, a quarter of a million dollars a year, have gotten a tax break worth \$500 million a year. So following up on Mr Galt's debt issue, was that a good expenditure of funds, to take the debt up \$22 billion but to give people making a quarter of a million dollars a year a tax break worth \$15,000 to each of them, worth in total about \$500 million a year?

Mr O'Toole: Mr Chair, if I could, I have a point of order: Mr Phillips is making a statement that the debt was added. He should respond to the—

Mr Phillips: Mr O'Toole, I don't think that's a point of order.

Mr O'Toole: —outstanding liability assumed from Ontario Hydro.

Mr Phillips: Mr O'Toole, you're absolutely, totally wrong. You don't know what you're talking about. You've added \$22 billion; nothing to do with Hydro. You're going to have to understand your own numbers. If you don't understand that, that's part of the problem.

But to our witnesses from the Mennonite community, again, because Mr Galt raised this, the \$22-billion debt: Was it a good public policy, when that debt was going up and we were facing some of these issues you talk about, to also give people making a quarter of a million dollars a year a tax break that was worth about \$500 million a year?

Mr Heise: If I could respond briefly, I appreciate what you're saying, but as a representative of the Mennonite constituency in Ontario, in some respects I hesitate to get into partisan politics. There are also some very wealthy Mennonites who have benefited, some of those making a quarter of a million a year. There are also quite a few at the lower end. I think as an organization that is attempting to work with folks at the lower end, we are concerned, and those wealthy Mennonites among us are also somewhat uncomfortable with their own wealth at times and the growing disparity between the rich and the poor. Whatever economic philosophy is adhered to, I think we all want to get to a point where there is some equity and where the poor among us can live lives which are full of pride and self-worth. I'll leave that debate for the two sides.

Mr Phillips: I only raise it because it was raised with you earlier.

The housing issue is an extremely important one. The government made a decision to put social assistance and social housing onto property taxes. That was contrary to

their own selected panel that said, "Don't do it." That was the Who Does What panel that said, "Don't do it." My concern is that if we head into a downturn, and there will be a downturn, when you have social assistance and social housing on property taxes it makes for a very difficult decision for local councils to try and deal with a housing or social assistance problem when their only source of revenue is property taxes. As I say, you've pointed out the housing problem. The challenge now is, once that decision has been made, to fix it you have to take it off property taxes and find a source of revenue. Is that part of the solution, in your opinion, that these things should be funded in a different way than property taxes?

Mr Heise: Again, I think we're going to leave that to the researchers here to decide. Our concern in that scenario is that those regions of the province that are very poor somehow have the resources to provide the housing necessary for the very poor in their communities.

The Chair: With that, Mr Phillips, your time is up.

Mr David Christopherson (Hamilton West): Thank you very much for your presentation. I've just got to tell you right off the top, it's nice to start the day dealing with some of the societal issues—challenges, actually—that face us in the context of these pre-budget consultations. By and large, we mostly get financial folks, economists, and those things are important, but at the end of the day, unlike the government, we believe all of that is to serve society. The whole idea of having a healthy economy and a vibrant economy is to ensure that we've got a society where everyone gets to share.

We know from the report that was released by the Centre for Social Justice—you may be familiar with it—the follow-up to *The Growing Gap*, that the inequities between the very rich and the very poor are growing. There are more poor people than there have ever been before and they're in deeper poverty than they've ever been before. I just refuse to let these consultations on economic issues go by without injecting as much as possible these issues. I think it's great that we've started the day with you making this presentation and putting those issues front and centre.

When we see a government that has a majority control in the biggest province in the country say that the biggest challenge facing us, no matter what, is taxes and that they want to continue to cut taxes that clearly, in every study released, benefit the very wealthy more than anyone else, we have to work twice as hard to make sure that the things that matter to the majority of people get on the agenda and are considered.

To just touch on some of the issues that you've raised, you talked about housing. I know you don't want to be partisan, but to some degree you're stuck in a partisan environment. I appreciate your desire to walk that line carefully. When we talk about housing, as much as I consider it a shameful moment that we had a Minister of Housing who stood up in the Ontario Legislature not that long ago and said, "I'm proud of the fact that our government is getting out of the business of housing," the alternative viewpoint is one that I was proud of, the fact

that the NDP government in the early 1990s was the last government in North America that was still willing to commit itself to ensuring that there was affordable housing. Under Harris's Ontario it's almost an oxymoron to say "affordable housing." Now, as a matter of fact, there are no governments in North America, and for the first time ever, certainly in the last 40 years, we have a federal government that doesn't have a housing plan, no housing plan whatsoever. And this problem is only going to be exacerbated. As this idea that tax cuts are going to save us from some potential doom continues to take hold at the national level, I've got to tell you, my hopes of seeing the government change their mind at the federal level are not very strong or optimistic either.

1030

You talk about the environment; again, so crucial. To talk about long-term planning, if we don't deal adequately with the environmental issues there won't be an economy to worry about because everybody who wants to invest is going to head everywhere but here. Because who wants to work in a province where the health of your children is affected?

Again, these are the boom times, these are the best times going. This is when we ought to be moving the yardsticks forward and instead we're going in the wrong direction. I harken back to our government in the early 1990s. During the biggest recession we've seen since the dirty '30s, on the environment, we brought in the bill of rights and we were the ones who created the Environmental Commissioner. The position has now been politicized and tainted by virtue of appointing a partisan individual. But we did that during the tough times. It's inexcusable that this government's taking us backwards during the best economic times.

Aboriginal issues—same again. I was pleased that we were the first government that had a formal, signed, government-to-government relationship with the First Nations people of this province—a huge step forward. In saying all of that, one line jumped out at me on page 4, where you say, "This is where the notion of a moral foundation is necessary." We hear a lot from the economists, talking about making sure the fundamentals are in place, and that means interest rates, exchange rates, GDP, all the things that factor into an economic analysis, but at the end of the day this moral foundation and these societal foundations should be the larger priority and everything else should feed into or support that. I'm sure you're aware that we now have more people who are no longer middle class, sliding into poverty, than we've ever had before. If we continue down this road we're just going to see a further erosion of that.

So any comments you'd have as a result of that? I don't really have a question except to thank you again for your presentation, to urge you to continue to speak out. The pendulum will swing back. God help us if the recession happens while Harris is in power, because if we're losing ground on housing, the environment, social services, health and the things that matter to people on a day-to-day basis during an economic boom, what is

going to be the plight of those issues if we go into a recession under this kind of government?

The Chair: Thank you, Mr Christopherson. Your time's up. On behalf of the committee, thank you very much for your presentation this morning.

STUDENTS' ADMINISTRATIVE COUNCIL, UNIVERSITY OF TORONTO

The Chair: Our next presenters are from the Students' Administrative Council, University of Toronto. Could you please step forward and state your names for the record, please?

Mr Phillips: Chair, just while that's happening, there was a question raised about the debt increases and I'm wondering if the research staff might provide the committee with that.

The Chair: From 1995—

Mr Phillips: From 1995, because the numbers I have in the budget here show it's gone up \$22 billion without Hydro and \$33 billion with Hydro.

Mr O'Toole: Mr Chair, on that same point of order: I'm referring to the document Ontario Finances, filed on day one of the hearings. The footnote on page 11 says the provincial direct debt is forecast at \$118 billion, up from \$109 billion. The increase includes \$8.9 billion as a result of the debt equity swap for OPG and Ontario Hydro Services. That's \$9 billion of debt accumulated from an unfunded liability from OPG. So I think, Mr Phillips, you and I should possibly talk about this because you were accusing me—

The Chair: Mr O'Toole, I will not get into a debate here. Just a minute. There's been a request—

Interjections.

The Chair: Let's have a bit of order. There's been a request from a member for some information from the research staff. We will get that and we'll continue.

Could you please state your name. Sorry for the disruption.

Mr Liam Mitchell: No problem. My name's Liam Mitchell. I'm the Scarborough chair of the Students' Administrative Council. With me are Paul Kutasi, vice-president of the Students' Administrative Council and Joshua Koziebrocki, university affairs commissioner.

The Chair: Welcome. You have 30 minutes.

Mr Mitchell: Thank you very much. It was our request to the clerk that an overhead projector and screen be made available. Are we to set that up ourselves?

The Chair: We can get it done. Can you proceed without it for the moment?

Mr Mitchell: Sure.

The Chair: It won't take very long.

Mr Mitchell: Great. Good morning, Mr Chairman and the honourable members of this committee. Thank you for providing us with the opportunity to speak with you today about issues that we feel are of the utmost importance, not just to our constituents but to the future development of this province.

Politicians and community leaders have extolled the importance of youth and recognized the role that we will play in the future. That is why it is important to realize the implications of the decisions that you make within the field of education. For it is from this essential foundation that the citizens of this province are created. Education produces people who think about the world around them and are aware of the role they play within society.

In February 1999, the Council of Ministers of Education published a document entitled *Public Expectations of Post-Secondary Education in Canada*. It stated that the purpose of post-secondary education should be "inspiring and enabling individuals to develop their capabilities to the highest potential level for effective contributions to society, to help shape a healthy, democratic and civil society." Therefore, we must commit ourselves to a high quality of education today to ensure a strong citizenry tomorrow. To do otherwise would endanger our future and challenge Ontario's success.

Education takes on many forms. There is the curricular learning that is the most readily associated with the term "education." Learning from teachers and professors with the aid of many books, often characterized by late nights in the library compiling research, this is an important method of educating students. However, it is only half of the equation, for it is extracurricular activity and, through that, learning that provides students with the opportunity to apply their knowledge and gain new perspective that is essential in the future.

Canadian sociologists Fred Evers and Sid Gilbert have researched the undergraduate experience in Canada. In their book *The Bases of Competence: Skills for Lifelong Learning and Employability*, they have concluded that the type of skills that employers are looking for are often developed in out-of-classroom activities. These skills include the following competencies: self-management, communications and multi-tasking.

Michael Herrara, a lead recruiter for Ernst and Young at the University of Toronto, states: "When I hire a student, I am not as interested in their marks as I am in what they have done on campus. I am far more impressed by someone who was president of a student group than someone who has straight A's, because I know that the student who was president has a skills set more valuable than what the classroom alone can provide."

It is the topic of extracurricular learning and the need for the government to identify it as a financial priority within education that I would like to address with you today.

If you haven't already been bombarded with cries for a reduction in the current tuition rates, let me assure you that you will be. Students across this province are hitting the debt wall because of massive tuition increases, which have now been compounded by deregulation in some programs. Students are being forced to take part-time and, increasingly, full-time jobs so that they can afford their tuition. This prevents them from participating in campus life. Instead, university has become a drive-

through education, where students drive in for a class, receive it, and then drive off to work.

Students are in need of relief, and the Ontario student assistance program is not currently delivering the assistance that its name suggests. Its definition of need is far lower than what most students require to attend post-secondary education. Many students who now receive OSAP still fall short of the money they need to attend university. This has caused many students to amass huge debts. The average student who graduates this year with a four-year degree will have a debt of \$28,000 to pay off. In 1998-99, some 14,000 undergraduate students at the University of Toronto borrowed \$99 million, with an average loan of \$7,000. Compare this to just one year before, when only 12,500 undergraduates required loans. That is an additional \$12 million in a one-year period.

1040

What these figures clearly indicate is that there is needed a new system of grants in this province. Loans only serve to place students under massive debt that many will carry with them for years. This impairs their spending ability, and thus slows the economy of this province. Nobody wants that. Therefore, the next budget should include a new provincial grant for post-secondary education that will allow students to complete their programs without the current debt load we now see. This grant should provide eligible students with a minimum of 10% of their tuition for a maximum of four years and should not be tied to any of the current OSAP requirements.

In addition to the new grants, the province must work to make OSAP a more effective means of aiding students. You can start by removing the recent introduction of new stipulations that include refusing OSAP to those students with bad credit history. You must realize that these are the students most in need of assistance. To exclude them is to remove their opportunity to attend university. In a province that holds universal access to education as essential, how then can we remove somebody's ability to attend due to his or her inability to pay? Instead, this government must be willing to make special allowances that ensure that a few bad decisions don't prevent somebody from receiving an education.

OSAP regulations must also take into account that parents do not always financially support their children through university. The assumption that they will causes many students in need of assistance to be rejected. Therefore, OSAP regulations need to be reviewed so that only a student's income is factored into the equation.

Also, this government's decision to punish institutions with high OSAP default rates is deeply flawed. Universities and colleges have little to do with who gets OSAP, and to punish them leads to many problems. The first is that some universities may refuse to take students from lower-income homes as they therefore could be construed as bad credit risks.

Also, it must be realized that some institutions have higher OSAP usage rates than others. For example, at the University of Toronto at Scarborough, almost half of the

students receive OSAP funding. This is largely due to the economic situation of the region. While the U of T at Scarborough, like the rest of the U of T, has a low default rate, other institutions are at threat of being punished by this new OSAP policy. Therefore, OSAP regulations need to take into account that some institutions simply have higher default rates than others because they are in regions that are economically depressed.

As a result of these revisions to its policy, the next budget should include an increase in funds made available to OSAP. We urge the ministry of colleges and universities to work with us and other student groups throughout the province to redesign OSAP so that it is beneficial to all.

The decision by this government to eliminate the fifth year of high school will result in two classes graduating simultaneously in 2003. This situation has been termed the double cohort. The result is that demand for university spaces will almost double. It is expected that some students will attempt to avoid the massive crush of 2003 by fast-tracking through high school and graduating early, while others will prolong their time in high school and graduate a year later. Therefore, the first increase related to the double cohort will be seen in 2002, a mere two years away.

This sudden explosion in demand is really just a preview of what is to come. The Ministry of Finance has forecasted demand for university education to 2015. According to its figures, by 2014 demand will be at the same level as the peak of the double cohort demand.

This growth is caused by a general population increase within the province. As you can see from this graph, that growth will continue into 2015, when the projection ends. Thus, the double cohort provides us with an early glimpse of a general increase.

Therefore, this growth must be addressed now, not only to accommodate current students but also to build for the future. We must ensure that growth occurs with full financial support and with careful thought. However, it must be realized that time is quickly running out, and we must stress the urgency of dealing with the issue of post-secondary education and the growth in post-secondary institutions within this province quickly.

In the last provincial budget this government established the SuperBuild fund. With almost three quarters of a billion dollars, the fund was established to finance capital construction on university and college campuses throughout this province. We applaud the establishment of this fund and note that it is long overdue. However, the fund in its current state does not go far enough to provide the needed growth that is required to meet the demands that are caused by the double cohort.

First, the fund is simply not large enough. At the University of Toronto it has been estimated that \$382,055,000 will be needed to house just less than 9,000 undergraduate students and 1,300 graduate students. This is a mere one fifth of the projected increase in demand for university by 2004. To assume that these costs can be paid in small instalments would be foolish. As we have

noted earlier, time is quickly running out. With the first students scheduled to arrive in just two years, the money is needed now to ensure that the buildings are ready on time. Therefore, we call upon the government to commit \$1 billion this year to the SuperBuild fund and a further \$200 million for each of the next two years.

The second problem we find with the SuperBuild fund is its lack of support for non-academic space. The fund's current policy restricts its use to constructing classrooms and labs, but does nothing to provide new student space. As we have argued, it is just as important to provide extracurricular learning as it is to provide classroom-based learning.

Ernst Boyer, the former US commissioner of education, stated, "The effectiveness of the undergraduate experience relates to the quality of campus life and is directly linked to the time a student spends on campus and the quality of their involvement in activities." At the U of T we are in dire need of a new student space on all three campuses with our enrolment rates as they are now. Any future growth will require an even greater increase in space and student services.

It is important that the province commit itself to the value of extracurricular education. To that end, the next provincial budget should include extra money to the SuperBuild fund to assist in the construction of new student spaces. While no information is currently available on the cost to meet the needs of student space, it would be conservative to say that at least \$500 million would be required. Therefore, we feel that an additional \$250 million should be committed to the SuperBuild fund in the second and third years, for a total of \$450 million per year.

Finally, the current call for submissions for the SuperBuild fund stresses that university-college collaborations would receive priority. We applaud integrating college and university programs, but it is important too that each of these institutions retain their distinct character in this period. In a memorandum to the executive heads of provincially assisted post-secondary institutions, the Honourable Dianne Cunningham, the Minister of Training, Colleges and Universities, used language that many interpreted to be a threat that unless universities and colleges integrated, no money would be forthcoming. This may force some institutions to create mismatched linkages between programs in the hope that they will be able to obtain some funding. Therefore, we would urge that in the next call for submissions no priority be given to joint college-university programs. Instead, each submission should be judged on its own basis.

To conclude, allow us again to review our recommendations for the next Ontario budget:

(1) A new provincial grant for post-secondary education should be established that will provide eligible students with up to 10% of their tuition for a maximum of four years and that no tie be made with current OSAP regulations;

(2) As a result of revisions to its policy, the next budget should include an increase for the Ontario student assistance program;

(3) One billion dollars should be committed this year for the SuperBuild fund, with an additional \$450 million in each of the next two years, \$200 million for academic priorities and \$250 million for non-academic needs.

This will lead to a total of \$2.65 billion invested in capital growth on university campuses by 2002-03, of which \$2.15 billion will go toward academic priorities.

We feel strongly that this is an important time for post-secondary education in the province of Ontario. Growth has not occurred on this scale since the 1960s, when many universities in this province were created. With careful planning and adequate funding, we can recreate post-secondary education so that it reflects the best traditions of the past, with the emergence of new priorities. It is our sincere hope the government will join with us and university administrators in this process.

1050

Allow us to end by quoting a passage from Ernst Boyer's book, *Life Outside the Classroom*:

"The college of quality remains a place where the curricular and extracurricular are viewed as having a relationship to each other. At a time when social bonds are tenuous, students, during their collegiate years, should discover the reality of their dependency on each other. They must understand what it means to share and sustain traditions. Community must be built."

Thank you again for this opportunity. We are more than happy to answer your questions at this time.

The Chair: Thank you very much for your presentation. I'll start with the official opposition. We have approximately three minutes per caucus.

Mr Phillips: I appreciate your presentation.

Tuition has gone from covering roughly 25% of the cost to covering, I understand, about one third of the cost now. Tuition fees have gone up very dramatically. I gather from your recommendations that is not your concern. Your concern is more providing financial support to pay those tuitions. Have I interpreted your brief properly?

Mr Mitchell: We've been concerned with the huge increase that we've seen in tuition across this province. What we feel is that the best course of action is to provide a system where those who can afford it do pay the price but that those who can't afford it be provided with the assistance that's required to ensure that they can attend post-secondary education in this province.

Mrs Sandra Papatello (Windsor West): Thanks for the time today. I wanted to ask you specifically about tuition and how that's been tied into the deregulation of some of the programs. What is your position? The Liberal position was to re-regulate. What is your comment on the various schools that have those programs and the government's position that there is a rationale to do that because they walk out of the program into very high-paying jobs?

Mr Mitchell: Our position too is to re-regulate. That is what we want to see. That is what we have requested. The student council previous to us made that request to the government. We have again supported that position that there needs to be re-regulation of professional pro-

grams. We have seen at the University of Toronto, in particular, the devastating impact of deregulation where really the sky becomes the limit and tuition isn't always in keeping with what students can afford.

As for the argument of future income, we have to deal with the here and now. I fear that it is dangerous that people have to tie their hopes to what can come in the future. The money isn't there then, and the expectation that students can walk out with massive debts I don't think is fair and really stalls both students coming out of universities and the provincial economy as a whole.

Mrs Papatello: Is there any additional information about employment rates among your students and how that's changed over the years? We know the youth employment rates are increasing since 1995, actually since 1993, and that continues to go up. Given the increase in tuition, greater liability, less reliability on OSAP, deregulation of tuition for some programs and student employment not being sufficient to cover those kinds of debts and loans, are you doing any kind of work on campus that's different to account for the lack of jobs available to your students?

Mr Mitchell: We have not researched that ourselves. We do have, at the University of Toronto, a rather large career centre which has done extensive tracking of students. I don't have that data available, but I'm not aware of any particular trends.

The Chair: With that, we'll turn to the third party.

Mr Christopherson: Thank you very much for your presentation. I was particularly drawn to your comment towards the end, on page 6, where you said that "growth has not occurred on this scale since the 1960s, when many universities in the province were established." I think it's fair to say that, by and large, we've been living off the dividends of the investments that were made in the late 50s, 60s and 70s in our educational institutions and system. Now we need a new reinvestment to keep us back where we were, or eventually the dividends that we're now receiving are just going to peter out and it's going to change the dynamic of our education system from what we originally knew.

I want to ask you two quick questions. Number one is, at a time when the government is constantly saying how important it is for us to ride the wave of the information era, that we've got to catch the wave and we've got to stay on it, and they're cutting back on funding to post-secondary education and increasing tuition fees and denying fiscal opportunities to attend university, as you have outlined, how do you feel about that contradiction in terms of what you're hearing from your government that information and education is the future, period, and yet everything they are doing seems to undermine that very notion?

The second thing is, I'm curious to hear from you what you think your colleagues are feeling and what you feel about the future in terms of jobs. How secure or confident do you feel that there's a place for you in terms of finding employment that will give you adequate income, challenges, the personal fulfillment that obvi-

ously you're seeking in making the investment in your education? What about contract work, part-time work? How do you now feel, looking down the road, about the future you are about to enter into vis-à-vis your job?

So, quickly on those two subjects if you could, please.

Mr Mitchell: I guess the second question first. I think there is more optimism that students can find a job, but the requirements to get those jobs have changed greatly. We're all aware, we can see without statistics, that not that many years ago somebody could leave with a high-school education and be secure at work. Then it became that you needed a bachelor's degree. Now people require a master's, a college diploma in addition to a university degree. The requirements to get a job have changed, and that often means investing huge amounts of money into education to get those jobs. So the jobs are out there; the requirements have changed and it has become very costly to the point of burdensome on many students in this province.

As for your first question, you'll have to remind me what it was.

Mr Christopherson: It was about the contradictory messages that information and education is the be-all and end-all, and we all agree that it is, but at the same time the government is cutting the funding that supports the foundation of our post-secondary education system.

Mr Mitchell: One of the interesting things that we've been finding is with ATOP, the advanced technology opportunities program. At the University of Toronto we've had some difficulty, as other universities have, with the promise of getting full funding if we increase space in engineering and computer science programs. What we've been finding is, at this stage anyway, we have not been getting the full funding, that the university has been bankrolling an increase in science and technology programs without the financing to really complete the buildings and to hire the faculty that are required. There's talk about instituting a user fee for computer science programs, which was unthinkable not that long ago.

The important thing to stress too is that priority can't just be on computer science and technology. There is a definable value to the traditional liberal arts education. That needs to be stressed. I note that our Premier has made comments and allusions to: Why do we need somebody with an English doctorate? What is the value of it? There is a value, and I think that needs to be recognized and supported by government.

Mr Christopherson: One of the members of the government said that their kid is getting an education in the liberal arts but they don't expect that to turn into some kind of gainful employment. I was just blown away by that comment.

The Chair: We'll go to the government side. Ms Molinari.

Mrs Tina R. Molinari (Thornhill): Thank you very much for your presentation. It's always good to hear a student's perspective on how you're actually affected by all of the decisions the government makes.

I welcome your comments as well about the Ministry of Colleges and Universities to work with students and other groups. Certainly I work closely with Dianne Cunningham as her parliamentary assistant and I'm always open to having a dialogue with you. Having only three minutes here to make some comments, I invite you to contact my office and arrange a meeting where we can do that.

I just want to comment on the fact that you talk about the debt load. It's a fact that over 50% of students graduate without any student debt at all and enrolments are increasing; in university it's 3.8% and in colleges it's 0.6%. So there is an increased enrolment that students are certainly pursuing. That's good for us, because I believe and the government believes a strong and educated student body will be able to find jobs in the future. We also believe the tuition is a shared responsibility. Part of that responsibility is with the student, and certainly the government shares in that responsibility.

1100

You talked about some of the issues with respect to the SuperBuild Growth Fund and some of the figures that you've cited of what you feel would be needed. These are numbers that are specific: \$450 million each year for two years, \$200 million in academic priorities in your recommendation 3. I'd invite you to talk about how those figures came up.

The challenge of any government is trying to take the revenues that are there and distribute them through the various ministries, to try to do that in an equitable way and see what the priorities are. It's difficult. If we had all the money in the world, then certainly we'd be able to invest it into all of the areas where everyone seems to feel they need to go.

The issue about the students coming in in the year 2003, the double cohort or the expanded enrolment, as it's sometimes called, has been an issue of great concern, although some of the educators and those in the secondary level predict that it won't be as critical as it appears to be or as some think it's going to be. Some students will in fact take more than the four years to complete it because of the programs that are necessary, the mandatory ones and the electives, and some would stay half a year or possibly a year longer. You've stated that some would go faster or slower and whatever.

But the SuperBuild Growth Fund is a way of addressing some of those. We're working in co-operation with the colleges and universities to find ways not only to build infrastructure but also for them to find ways of better utilizing the facilities they have. Again, it's a partnership where everyone takes responsibility for the students.

The ideal would be that students who are graduating would be able to find employment. Technically, that's you want. You'd find employment. You'd be able to pay off loans. You'd become contributors to society as a whole. As a government, I think that's the direction we'd like to see it go in. I don't know if there's time to answer the questions, but—

The Chair: No, there's no more time for questions. On behalf of the committee, thank you very much for your presentation.

CHILD POVERTY ACTION GROUP

The Chair: Our next group is representatives from the Child Poverty Action Group. Could you please step forward and state your name for the record. On behalf of the committee, welcome. You have 30 minutes.

Mr Colin Hughes: My name is Colin Hughes. I'm a community worker with the Children's Aid Society of Toronto and a member of the Child Poverty Action Group. With me is Dr Brigitte Kitchen, who is a professor of social work at York University and a founding member of the Child Poverty Action Group. We're going to try and cover a fair bit of territory, so I'll take a walk through this paper. We certainly want to try to have time for discussion and that kind of thing.

I guess the place for us to begin is really with the fact that Ontario does have a booming economy and that unemployment, as we all know, is dropping quite a bit, yet at the same time we have over half a million children who are poor. We've got a phenomenon where child poverty rates haven't budged and poor families are in fact getting poorer. The child poverty rates have doubled since 1989 and have remained at about one in five kids since about 1973—excuse me, 1993. I'm in the wrong decade. The income of the average poor family has dropped, on average, below the poverty line as well. In 1989, the average poor family needed \$7,500 to bring them up to the poverty line. By 1997, they needed \$8,700 to bring them up to the poverty line. These families are losing ground.

These figures were released recently by Campaign 2000 and were really quite harshly dismissed as being hogwash by our Premier. We recognize that Mr Harris is a politician and that part of his job is to deflect criticism. However, we also recognize there is a certain view of poverty that really tries to define poverty in fairly narrow terms. We think this is quite important, that those terms are in terms of just simple survival and subsistence. From that point of view, the poverty lines that are most commonly used in Canada, which are relative, are viewed as being based on income levels that are too high and are simply dismissed. Now this distinction is really important because the kind of public policies that we pursue are going to be really quite different if we're simply pursuing subsistence living standards versus those that seek to allow families and children to participate in community life and in society.

So our first recommendation is to simply not define the problem of poverty away—I don't think Queen's Park should be defining the problem away—and to recognize that poverty is really about participation, not just subsistence, in our society. We do have a serious child poverty problem, about one in five kids, and what we really need to set out, and where we've been really lagging, is in terms of developing a comprehensive set of

family policies in order to address child and family poverty. We're going to try to outline some of the areas that we think are important to examine and to move forward on.

I really have to stress that how we define poverty is important, because the way we define poverty of course is how we will define the problem and what kind of solutions we define. We're really seeing this in a number of areas. We won't really get very effective public policies in areas like health, education, employment programs and so on if all we're shooting for is subsistence. What we really want is participation, and we're saying here that one of the cases in point is Ontario Works. It's kind of contradictory on the one hand to have benefit levels that are really quite low and really oriented around a subsistence level, and then on the other hand to be saying we want participation. It's pretty hard to have both of those, and there is research evidence that strongly suggests that poverty itself has become quite a barrier in terms of that kind of active participation we'd like to see people engaged with in terms of moving forward on training, education, and in terms of jobs.

The reasons are really quite obvious. It's hard to participate if your housing isn't stable. It's hard to participate if you don't have enough food in your household. It's hard to participate if you don't have a telephone. It's hard to participate if you don't have any kind of child care and so on down the line. Again, we really emphasize that point: The kinds of solutions you're going to see are going to be, in part, based on how you really define the problem, and to define it in subsistence terms is really quite self-defeating.

It's worth pointing out that most Canadians do define poverty not in terms of what you need just to survive but in terms of what you need to at least minimally participate in society. That's what the poverty lines are in fact based on, and they are not hogwash.

One of the areas we really need to look at is welfare reform, so our recommendations 2 and 3 really zero in on that area. One of the things that we really think we have to revisit is the whole issue of adequacy in welfare benefits. The fact of the matter is there is terrible, terrible hardship in those communities and those families out there, and time and time again, the cut to welfare that occurred in 1995 is identified as one of the big factors in terms of creating all kinds of family crises and problems for both parents and children. That's certainly the case with the children's aid society. We see it everywhere in Toronto, and I doubt whether there is really a community in Ontario that's untouched by this.

So one of the things we are saying is, take a look at those benefit levels. They really need to be raised. Even in terms of inflation alone, even since the cut which cost a single parent getting full benefits about \$3,000 a year, since the cut in 1995, inflation alone has gouged another \$700-odd a year in terms of purchasing powers. The cost of living keeps going up on the one hand, rents keeps going up on the other hand, and where are recipients? They're treading water and they're just falling further

and further behind in terms of the purchasing power they need to sustain themselves.

The other recommendation is around forming an all-party committee to review Ontario Works and really start to sink your teeth into some of the issues. We identify a number of them here: access to education and training; the effectiveness of community participation; the implications of changes to STEP; the treatment of assets, including the prospect of putting liens on the homes of people who are on social assistance, usually single-parent women who have homes, and so on.

The real underlying problem here is that the reforms to social assistance were moved on in haste. They were pushed through; there wasn't a lot of discussion. If you go out into the community and you talk to people in the field, if you talk to the families, and if you talk to the municipalities, there are some real issues that have to be looked at. So we are urging that the province take a look at those things.

1110

The fourth recommendation is something that isn't within your bailiwick, so to speak. It is a federal issue, but it is an issue that the province has spoken on, and that is employment insurance. On employment insurance, the province has basically targeted or focused on the issue of premiums and, I believe, called for rollbacks there. I think we really need to shift the focus. In this province only a quarter of the unemployed are covered by employment insurance. That is really pathetic. You have the kind of system where people are paying twice. They are paying once for employment insurance premiums that don't cover enough people and don't cover them adequately, and then paying again. Who is going to pick up the problem that is inevitably going to fall on the social assistance rolls? People have to pay for social assistance. By almost any measure, employment insurance is a far better program than welfare. So we think the province really does have a role in terms of saying, "Come on, let's change the employment insurance system so that people are getting the coverage they deserve." We very much urge you to look at that recommendation.

The other area is to make work pay in terms of minimum wages. It is interesting to note that this is important to families. It's not the only thing that can be done in the labour market, but we really can't afford to fall behind even in terms of the most basic wage levels, which are what the minimum wage constitutes. Since the wage was frozen in 1995, inflation has taken a big bite out. In terms of the loss of purchasing power, it's the equivalent of about three weeks of earnings for a person working full-time. For two parents working at the minimum wage, it would be the equivalent of \$1,800 or six weeks of earnings.

The common concern about minimum wage is that it will price people out of work. This has not been the experience in about nine other OECD countries where there was a review and they saw no impact in adult employment. Indeed, when the United States introduced its welfare reforms, they included hikes to their minimum

wage, and research has indicated that that does assist in terms of welfare-to-work transitions. The really important point is to recognize that wages play a very important role in terms of families and really have to be capable, or as best they can, of providing support to families.

Complementing that is the need for child benefits. This is the key area in terms of addressing child poverty. Wages alone have never been enough to support families because family sizes can vary. Child income benefits are really a key strategy in that area in terms of reflecting the size of the family and the costs and responsibilities of having children.

In Ontario the supplement portion of the child benefit has been deducted, dollar for dollar, from welfare. The rationale for this is that taking it from recipients will encourage them to go out and work. We think this is a real problem, even in terms of its own objectives. The real problem is the income floor. It's just too low; it's too deep into poverty. Those are the things that are throwing up barriers. It's not really the so-called welfare wall.

There are other ways that the clawback is problematic just in terms of its own objectives. It provides no benefit and is clawed away from people who are never expected to work. It is clawed back from disabled parents who are on social assistance, from parents with very young children and—this is really quite a problem—it's even clawed back from foster children who live in the community. I don't know why on earth we expect foster children to somehow go to work because they get to keep the child income benefit if they go to work. It just doesn't make sense in terms of its own objectives, and it doesn't make sense in terms of addressing poverty. We are saying that the province should just rescind the clawback. It's not going to cost the province anything; it's federal money. It would be a way of boosting incomes and addressing some of the deepening poverty that is experienced by people who are on social assistance for whatever period of time.

The Ontario child care supplement is another area that we'd like to just quickly speak to. We really would like to point out that the supplement is not child care; the supplement is money redirected from the clawback of the child benefit supplement. Most of the money from the savings from welfare is redirected into the supplement. To call it an Ontario child care supplement is kind of a misnomer. It really won't build a system of child care. It's really not child care at all. It is an employment income supplement, an earned-income supplement. We think it's fine to have an earned-income supplement, but if you're going to have one, it should be paid for through the province and not paid for by taking money from welfare-poor children. And it should also be called that; it shouldn't be called child care, because it just isn't.

The next recommendation is to re-establish Ontario in the field of child care, just as Quebec is doing, and to build our system of licensed quality care. I'm going to skip over these fairly quickly because we do want to have time to talk.

Another area is around child support. We think you need to step up support enforcement, on the one hand, but also to begin to examine and build an Ontario system of assured child support. In other words, the child has to be the focus here, not this stuff on deadbeat parents and everybody else. The child has to be the focus and the province needs to introduce policies that support the child. We're urging you to take a look at that.

Housing is fairly clear: Strengthen rent controls in the Tenant Protection Act, get back into investing in social housing, increase welfare rates. All of these recommendations were made in the Anne Golden report and they really warrant close examination and some action. We need to move on that area.

Post-secondary education: We have two big areas of concern. One is that tuition fees must be lowered over all. We're really concerned that the increase in tuition is going to be a barrier for kids in terms of the growing debt loads that students are graduating with, but also as a deterrent for kids who ever want to see themselves moving ahead and that post-secondary education is a viable option for them. So we would say, look at lowering those tuition fees and also take a look at making access to post-secondary education a welfare-to-work option. That is precluded for single parents, and the fact is that single parents are going to need earnings that are enough to keep them off welfare. The best way for them to do that, in many instances, is to have the education and training to get a good-paying job.

Finally, around tax cuts and revenues, we're in support generally of more progressive tax reforms that benefit low- and modest-income families, but we don't really like across-the-board tax cuts. We're saying you should ensure that the public revenue is there for urgently required investments in decent health, education and family policies.

I would draw your attention, if you haven't seen it—and I'm sure you have; you probably follow these things—to the Ekos research. It was released in December and made it very clear what the public's budget priorities are: investing in social programs to address all these human capital issues such as health care, education and child poverty. Those were ranked as the high priorities, and they're pressing less the tax cuts.

So we would like to talk. I hope that gives you an overview of the issues and recommendations we're making.

The Chair: We have approximately three minutes per caucus, and I'll start with the third party.

Ms Marilyn Churley (Broadview-Greenwood): Thank you very much for your presentation. I'm glad you brought up the incident when the Premier referred to the poverty lines as defined by Campaign 2000 as "hogwash." I think that was quite a shock to many of us who see the face of poverty in our communities every day. It's really important that we get away from spending all our time trying to define just what the poverty line is in terms of dollars, because that takes us away from the real issue, which is that there are more and more kids—I

think 50,000 of the people using food banks now are kids. I think that's the correct number.

Mr Hughes: Yes, I think that's in the GTA per month. 1120

Ms Churley: You couldn't refer to many things here, but what I wanted to ask you specifically about was the downloading, which the government tends to say continuously was revenue-neutral and that it hasn't impacted on services. In terms of the poverty of people, particularly in this city which I represent, and downloading of housing, day care and public health, are you seeing an impact on people's lives in that sense?

Dr Brigitte Kitchen: We see the impact of downloading all around us. I'm a former child welfare worker and Colin comes from the child welfare system. The admission rates to the children's aid societies are up. The shelters are full of families who have lost housing. For the first time, we have never seen such a large number of children who are in shelters right now. Obviously, something is very wrong in the housing sector.

I teach in a school of social work and our students do placements. I'm just appalled when I hear the stories the students come back with. The agencies don't have the resources to meet the increasing demand for services. All we see is this growing, gaping deficit in support for families with children and an ever-increasing need.

Ms Churley: Is it the result of rent decontrol? Is that having an impact on people being able to get housing?

Dr Kitchen: Obviously, one has to make this connection because, as I said, we have never seen such an overflow of families who are now in shelters and who are lining up to get into shelters. I don't have to draw your attention to the effect that has on the future development of children who are uprooted from their communities, who are suddenly separated from their friends and being caged up in a small motel room on the Kingsway and in Scarborough. It's not the ideal situation we know children need for their optimal development.

The Chair: For the government side, Mr Galt.

Mr Galt: Thank you for your thoughtful presentations. I'd first like to make a comment on something I disagree with, and then a question.

The area that I have concern with in your presentation has to do with minimum wage. Being from rural Ontario, the riding of Northumberland, a lot of fruit and vegetable growers, when I tour around, the biggest and strongest message that I come back with is, number one, don't increase minimum wage and, secondly, whatever you do, don't stop the offshore workers from coming because we can't get dependable workers here in Ontario to work on our farms. As the minimum wage goes up, so the cost of their produce goes up, and they're non-competitive then with a lot of the northern states.

There's real concern. It was a big issue in my riding in the campaign of 1995. The farmers were very, very concerned—I can't underline that enough—with the level of minimum wage in Ontario.

The question that I have for you relates more to unemployment insurance. I think it's interesting that you

say that only 25% of the people unemployed receive EI. I didn't have that figure before and I think it's interesting. I can see where they come to the end of the year and they're no longer on it. The self-employed entrepreneur does not rate it. What do we do? You've made a recommendation that we lobby the federal government to improve coverage and adequacy, but what would the details be? Should it be a longer period? Should it be more generous? Should self-employed people be included? What are the points we should lobby for?

Mr Hughes: If I could just answer very quickly, if Brigitte has a comment, those are the kind of details, and we won't go into them there, but you're hitting on some of the things. Some of it is the change in the design of the program itself; some of it is to change the nature of work, the kind of work that's available. What I would really urge is that as political leaders you set the direction—the research is really available out there; there's a lot of detailed information on this—and really formulate a position and some options, the point mainly being that Ontarians deserve to be covered and protected by employment insurance. They pay for it.

Dr Kitchen: The problem really arose when the federal government made eligibility for employment insurance much more difficult. The qualifications are now based on the number of hours worked rather than weeks, as we had before. As far as where the money comes from is concerned, there's only one taxpayer. This is the largest province, with the largest population, and we had a fairly volatile labour market. This province had more people who were disqualified from receiving employment insurance because of the volatility in the labour market and, on top of it, the changes to eligibility under employment insurance that the federal government has imposed. So you have a two-way problem here.

The Chair: Thank you very much, Mr Galt. You're out of time. I'll go to the official opposition.

Mrs Pupatello: Thanks for your presentation today. I appreciated the focus on child care in your report. You've noted as well the changes in the educational funding formula and what that's going to mean to current spaces available in the schools. I think many of the boards this year are just hanging on to the programs they have and as we move into the next year we're going to see another huge drop in child care spaces available in the schools. The communities certainly are not picking up the slack to build those spaces, so we're going to have a greater move away from child care spaces.

The workfare failure, in my view, has had a huge amount to do with the lack of child care issues being addressed. You've pointed out a view of being much more like the Quebec style. Are you advocating a \$5-a-day-type system or a floor, wage-related fee scale for parents in this submission?

Mr Hughes: I certainly wouldn't oppose that. I think the Quebec model—as one of Canada's large provinces, the fact that they are moving forward—I should point out it wasn't just in child care. They've really put together a package of things for families. It's worth taking a look at.

These things have problems, but Quebec is moving forward with a system of supports, the most obvious being the \$5-a-day fees.

Could I just quickly tie in a point you're making about child care in schools and downloading? This is an example of an area where there really is a need to take a look at the impact of some of the provincial policies. We talk about that integrating education and child care, the child development component, that it makes sense. Right now the funding formula really is squeezing those programs, and school programs, out of the school system. It makes no sense whatsoever. In fact, it's very cost-effective to be using local community infrastructure in a number of different ways. Part of the Quebec experience has been to work with the schools around after-school care and using some of their facilities.

I think the biggest point there is that Ontario really did play a lead role in the development of child care, in addressing the needs of modern families, and it really has lagged behind. The funding levels have been cut. The system is really quite precarious. We just haven't moved forward at all in that area. The expertise is still there. Much of the infrastructure is still intact—it's reeling but it's still intact. We really can't afford to lose that asset. We have to build on that system and move forward.

The Chair: You've got 30 second left.

Mrs Pupatello: It's interesting that with the failure of workfare, frankly, to ever take off—and that was certainly entirely predicted. The numbers on welfare certainly have dropped. The largest share of those are single parents with kids and it does speak to the fact that those kids are likely in unlicensed day care, which is very troubling, given what we know is the benefit of appropriately regulated, licensed day care. Unfortunately, I don't think we're going to see the results of that for a few years. We'll likely have an opportunity now that we have the testing in grade 3. We'll probably see the kinds of effects that not having appropriate day care is going to mean to our kids.

Thanks for your presentation.

The Chair: On behalf of the committee, thank you very much for your presentation this morning.

1130

ONTARIO CHAMBER OF COMMERCE

The Chair: Our next presenters this morning are representatives from the Ontario Chamber of Commerce. Could you step forward please and state your names for the record.

Mr Douglas Robson: Good morning, everyone. My name is Doug Robson. I'm the president and COO of the Ontario Chamber of Commerce. With me today is Carolyn Conner, who is the chair of our committee on finance and taxes, and third vice-chairman of the chamber. As people at Queen's Park tend to say, in real life she is vice-president of communications for CIT, which is the successor company of the Newcourt Credit

Group. Next to Carolyn is Atul Sharma, who is our chief economist at the chamber.

Thank you all very much for having us here today. Most of you we've talked to on a number of occasions, and we're delighted to have this opportunity to present our recommendations on the 2000-01 budget.

To refresh people's memory, for those who aren't familiar with the Ontario chamber, we're a federation of 155 boards of trade and chambers of commerce throughout the province which represent over 55,000 businesses. We are the largest business association in the province and we've been the voice of business since 1911.

This pre-budget submission outlines a number of areas of interest for the Ontario chamber and for Ontario business, and much more is in here than we can possibly present to you at this time.

We begin with an overview of the fiscal principles the Ontario chamber believes the province must follow. We believe that the government's fiscal and economic goal should be to make Ontario the most competitive jurisdiction in North America. To achieve that goal, we feel that they should be focusing on three critical areas: creating a competitive, fiscal and economic climate; maintaining excellence in education; and investing in and maintaining Ontario's infrastructure. The recommendations are grouped throughout our presentation that way.

First I'll call on our chief economist to take a look at where we think things are in Ontario.

Mr Atul Sharma: Thank you. I'd just like to give an overview of the economy from the Ontario chamber perspective. If you'll recall, about one year ago, when we were sitting here we suggested that there was a need to be prudent and cautious in the outlook because we didn't know where the economy was going. As such, we were looking at a real GDP growth rate, at that time, of about 3.5%. Of course, as we know, the minister gave his update recently, in November, and he indicated that he thought that 1999 would close out at about 5%. We think that 5% is probably on the low end of that range for 1999. We expect the Ontario economy will probably have real GDP growth of about 5.5% to 5.7%. It's quite a turnaround from where we were a few short years ago.

The Ontario chamber forecast for this year, for 2000, is that growth will be 3.5% to 4%, in that range, and though it's less than the growth that we saw in 1999, we feel it's still a prudent but cautious assumption and still indicates healthy growth in the economy.

Many of the economic indicators are pointing in the right direction. Auto sales have been very healthy in 1999 and we expect them to continue to be strong in 2000. Retail sales overall are quite positive. They did have a bit of a bumpy fall in which there was a decline for September or October, but that could really be attributed to the auto sector, where they weren't enough cars to be sold for people who wanted to purchase them. I think that's a good problem to have. Housing starts also appear to be going in the right direction as well. Overall, the fundamentals of the economy seem to be quite strong.

On the employment side, employment in Ontario has been very positive as well. In December the unemployment rate was 5.6%, the same as the month before, and probably the lowest monthly rate since about June 1990. The annual average for 1999 was 6.4% and employment grew by about 173,000 over the previous year. Our expectation is that employment will continue to be strong, that growth will continue, jobs will continue to be created in Ontario, and we expect the unemployment rate to go down to about 6%.

However, with all of that good news there are still some storm clouds on the horizon. One of them, of course, is the potentially overheating US economy. We saw yesterday that Chairman Greenspan raised the federal reserve rate by 25 basis points, which was well within the range of the expected increase of 25 to 50 basis points. However, if there is a serious spike in the US economy, we would be concerned about the negative impacts that would have upon Ontario because of our close relationship to the United States. Canada is expected to follow suit on the rate increase. I believe the Bank of Canada governor will be making his announcement today on what his intentions are, and again it should be within the expected range of about 25 basis points. If we do see some sharp increases in interest rates, that obviously indicates a fear that inflation is getting out of control and that the bank feels it needs to control it, which of course has a dampening impact on the economy.

Canada is in the midst of one of its longest ever expansionary periods. I think it's entering its ninth year. I heard a statistic that as of February 1, the US economy was entering its 108th month of consecutive growth. It's nice to see that; however, we need to be cautious. Given the cyclical nature of the economy, we need to realize that this may come to an end one day and that we need to be prepared for that.

That's just a quick overview of where we think the Ontario economy is at. Even with the storm clouds on the horizon, we believe that Ontario will weather any upcoming storm.

I'll turn it over to Carolyn.

Ms Carolyn Conner: I'd like to take a couple of minutes to give you an overview of some of our recommendations, and I'll turn it over to Atul and Doug to go into some detail on some of the other recommendations.

As in previous years in our submissions, we've based our recommendations on a set of priorities that we feel should govern the formation of the budget. Reflecting the significant moves that the government has made in terms of getting its fiscal house in order, some of those priorities have changed from last year. Our priorities for this year are, first, moving beyond deficit elimination and toward debt reduction; second, improving the business climate in Ontario to make Ontario the most competitive jurisdiction in North America; and third, maintaining the government's strong fiscal position through continued balanced budgets and projected surpluses.

Based on those priorities, as Doug pointed out, we have identified three core areas where we feel action should be taken and that the Ontario Chamber of Commerce has a strong position on. Those areas are investing in Ontario's infrastructure, creating a competitive fiscal climate, and maintaining excellence in education.

Let me start with investing in Ontario's infrastructure. Within this context, I suspect most of the initiatives over the next few years will come out of the SuperBuild fund. The SuperBuild fund is a fund designed, as I understand it, to foster the use of public-private partnerships in infrastructure development and financing.

One of the greatest challenges to the success of public-private partnerships in Canada has been a perceived lack of political commitment to the model. The SuperBuild fund is an excellent example of how to try and do that, but its success will hinge on a strong government commitment to the process. As such, we've outlined some priorities regarding the SuperBuild fund and its operations, the first step being that there must be a clear political message demonstrating the government's commitment to P3 models for infrastructure development and giving the SuperBuild fund the necessary powers and resources to make projects happen in an efficient manner.

The SuperBuild fund should very early on outline its key priorities and specific projects that would be put forth for private sector investment. Clear procedures should be put in place to consult with the private sector to ensure that the best prospective projects are put forward, as well as allowing the consideration of unsolicited proposals. Unsolicited proposals have been a challenge for a number of governments in Canada. To have a procedure to be able to assess those is very important.

1140

Finally, there should be a clearly defined RFP process that is transparent but flexible enough to allow for private sector creativity. This process needs to be efficient and timely and to allow for a quick turnaround on transactions. One of the keys to the success of the privatization of 407 was a very clearly defined process that was quick turnaround. The private sector understood where the boundaries were and what the rules were.

Within the context of infrastructure development, transportation is a very high priority. While we recognize the government's commitment to revitalizing the Ontario infrastructure, the OCC believes this cannot be done without a comprehensive plan, particularly in the area of transportation. The reality of today's economy is that the modes of transportation—highways, transit, rail, airports, ports—are all interlinked, and investments in one sector affect other sectors, as well as the competitiveness of the economy in general.

The Ontario Chamber of Commerce calls upon the government to initiate a comprehensive, integrated, intermodal plan that would act as a road map for the development of Ontario's transportation needs for the future and would level the playing field for all modes of transportation. Within the context of the province-wide plan, the Ontario government should work with the

Greater Toronto Services Board to develop a specific plan targeted at the GTA. The population of five million people in Toronto dictates that you have to have a specific plan, as well as the role of Toronto in the Ontario economy.

I'd now like to turn to our second priority area, which is creating a competitive fiscal and economic climate. The current government has dramatically changed the economic climate in Ontario, and we applaud its initiatives. It's imperative, however, that we not let the momentum wane. Our recommendations in this area are intended to ensure that the momentum of improvement initiated by the government continues and that the business climate becomes the most competitive in North America.

The first issue under this I want to address is a balanced budget. Over the past three years, the Ontario Chamber of Commerce has continually called on the government to accelerate its plan to balance the budget. We've done this based on a concern that an economic downturn could derail the current plan. Having achieved a balanced budget for 2000-01, we cannot allow this to be squandered. Many provinces have faced the prospect of falling back into deficit positions. Ontario cannot do that. As such, it's our recommendation that the Minister of Finance in his 2000-01 provincial budget outline surpluses for the next five years.

The next step in that is the introduction of a comprehensive debt reduction plan. Having achieved a balanced budget, we must address the province's growing debt. The OCC calls on the provincial government to establish a comprehensive plan that will reduce the debt-to-GDP ratio from its current level of about 30% to the more historic level of 15% over the next five years. That 15% represents the level we were at the last time we had a non-deficit budget. Achieving the 15% goal will require strict fiscal discipline and a clear political priority that debt reduction will take precedence over new program spending. The OCC believes the government's current commitment to reduce the debt by \$2 billion will not make a significant dent in the overall debt of the province. A more ambitious debt reduction plan should be put in place with specific milestones and initiatives to meet those targets.

The next issue I want to address is the Red Tape Commission. We support the activities of the Red Tape Commission and would recommend that it become more permanent, continuing to eliminate red tape and examining how the government can embrace technology to simplify reporting processes.

Next, let me address choosing a made-in-Ontario tax system. This is something the government has mentioned on several occasions. There has not been a lot of discussion of the actual details on this. If we look in Canada, there are two provinces that you might look to for models. One is Alberta and the other is Quebec. Not wanting to come forth with specific recommendations on how to do a made-in-Ontario tax system, we would simply like to caution that in the government's con-

sideration of a made-in-Ontario tax system, strict care be given so as to not create a large bureaucracy and to not increase the reporting burden on businesses.

Finally, I would like to address the issue of GST-PST harmonization. This issue has not been widely discussed in the political arena for a number of different reasons. Understanding political hesitation, we maintain that business efficiency arguments call for an examination of the potential to combine these two taxes and decrease the administrative burden on businesses. As such, we call on the government to examine the benefits of GST-PST harmonization, coupled with a 1% or 2% rate reduction in the harmonized tax.

I would now like to turn the podium over to Atul, who will discuss some recommendations regarding municipal taxation and user fees.

Mr Sharma: I'll be fairly quick so we'll still have some time for questions at the end.

Our concern on the municipal tax side is that there has been an increase in the discrepancy between residential and industrial taxes through the 20% reduction on the residential education property tax, whereas there has been no corresponding reduction on the commercial-industrial side. When the government originally announced their legislation, they had established ranges of fairness. The point at which we are now, we're kind of stuck and can't move towards those. So we believe that the province should study options that reflect the five principles normally attached to property taxes, and I'll go over those in a second, that will allow the municipalities to move towards the ranges of fairness. The five principles are fairness, efficiency, stability and predictability, accountability and the cost of administration. They are outlined in more detail in the report.

On the user fee business licensing, our concern is that municipalities are using business licensing fees as a revenue stream. They were never intended to be that, and we think that they should be set on a cost-recovery basis. As such, we recommend that where municipalities set business user and licensing fees, they be set on a cost-recovery basis only and that an appeals process be established for unreasonable charges.

I will now turn it over to Doug to talk about the business advisory panel on corporate taxation.

Mr Robson: We applaud the work of the government to improve Ontario's business climate in the last few years. However, we do believe there is more work to be done. Last year, when we made a presentation to the minister, we recommended the business advisory panel on taxation. We've outlined on page 15 a number of bullet points that we think should be parameters to be followed with that panel. We also would like to see it struck. We believe that we should be doing everything we can to make this North America's most competitive economy, and this is an area that really hasn't been tackled yet. We feel that a clear mandate should be outlined, and we think the six bullets that we've put there are quite reasonable objectives. A key thing is that we'd like to get on with it.

If I may move on to our third area of concern, it is maintaining excellence in education. Those of you who were with us here a couple of years ago may recall that we recommended that the government put more stress on early childhood education. Within a few weeks I noticed that the Leader of the Opposition made a number of statements supporting it and a couple of weeks after that the Premier said that funding for pre-kindergarten would not be cut further. There have been more moves on both the leaders' parts to recognize the importance of early childhood education. Of course, we're concerned not just with that but right through to post-graduate studies, including the vital area of apprenticeship, which we've made presentations on here at the Legislature.

More recently we saw the release of Dr Fraser Mustard's report on the earlier study which points out the dramatic benefits to our society's capabilities if our communities make a greater investment in time, attention and money for our youngest. We are currently working with Margaret McCain and Dr Mustard to assist in the implementation of that report, which in their own eyes I think is about a 10- to 15-year project. It's so important to make that investment when people can learn and take advantage of it, and that's why we have an interest in that, which may seem odd to the group here. We just wanted to highlight why we think education is so important and some of the directions in which we should be going in education.

Last, we wanted to thank you all ever so much for having us here. As I've said, our goal is to increase the competitiveness of the province of Ontario, and that has been the entire aim of this submission. With that, I think you may have some questions for us.

1150

The Chair: We have approximately three minutes per caucus and I'll start with the government side.

Mr Arnott: Very quickly, I want to thank you very much for your presentation. I'm particularly interested in your debt-reduction or paying-down-the-debt proposal. I want to remind you that the government is committed to paying down at least \$2 billion of debt over this term of office and is committed to reducing the debt-to-GDP ratio from about 30% down to about 25%. I see these as very minimal goals. Hopefully, we can overachieve those goals. You would agree, I assume?

Mr Robson: Yes, we agree. I think Carolyn may have something to add to that.

Ms Conner: We engaged in a survey over the past few months of leading economists in Ontario, and it was very clear to us that debt reduction is a high priority for economists in the province and that perhaps the \$2 billion is not quite enough and that 25% isn't necessarily the ideal target; 15% is a more reasonable percentage to be targeting, recognizing economic growth will take care of some of it and a need to curb back on—

Mr Arnott: Has your organization done any projections or studies as to what kind of surpluses we'd need to run over that five-year period to achieve a reduction of the debt-to-GDP ratio of 15%?

Mr Sharma: We don't have a specific model that we've worked with, but I think it's pretty clear that we would continue to need to have healthy economic growth as well as a fiscal discipline on spending beyond its current commitment.

Mrs Molinari: Part of your presentation talked about the employment outlook and how in Ontario employment is high and everything seems to be moving in that direction. One of the previous presenters we had talked about the employment rate and how people are feeling good about having the job and that they're working, but there still is a fear of how long that is going to last, and will it continue or will it stop? Can you give me some of your feedback on that, please?

Mr Sharma: I think that's correct. There is a bit of what I guess I could call a scar left from the last recession where there was dramatic restructuring in the Ontario economy and from what is generally called downsizing. I think people still are concerned about their future prospects. It's less likely that one person who goes into a company at an entry level will retire from that company, and so that adds a lot of uncertainty to it. While the prospects are good, I think you're absolutely right: There is still some concern out there, and we still need a couple of years of good economic growth to overcome that.

Mrs Molinari: What can governments do to have that outlook be more positive? What is it that we can do?

Mr Sharma: Part of that is setting the right business climate, encouraging growth and working with business to make sure that happens.

The Chair: Thank you very much. I must go to the official opposition.

Mr Phillips: I'm interested in the debt issue as well. I notice from your report here that the debt-to-GDP has actually gone up since Harris became Premier. I noticed in their financial statements that the debt has gone up \$22 billion—\$30 billion if you include Hydro, but if you exclude Hydro it's gone up \$22 billion. The issue for me is what your recommendation is in terms of dealing with it.

The government has already announced its plans for the next four years. They're going to cut taxes by about \$5 billion a year and they're going to reduce the debt by about \$500 million a year. That's what their commitment is. They've already told Ontario what they're going to do: \$5 billion in tax cuts, \$500 million on debt reduction.

I'm wondering what the chamber's comment is on that relationship. Is that, in your opinion, the right relationship?

Mr Robson: I think you've seen us a number of times where we don't necessarily agree with the government's goals and objectives. I think Atul and Carolyn have made it pretty clear that 25% is not the right level, in our opinion. In good times you're supposed to get the debt down. You're right, it has gone up. Our view is that the government should be more ambitious about attacking the debt in good times.

Atul, do you have anything to add to that? Carolyn?

Mr Sharma: The government has committed to reducing the taxes and they've committed to education and health care expenditures. Our message is that they shouldn't contemplate spending increases beyond the current committed envelope and they should continue to create a climate where economic growth can continue and put more money down towards the debt, based on the surpluses they have.

Mr Monte Kwinter (York Centre): The premiers are in their annual meeting and they've suggested that unless there are transfers from the federal government to health care they're going to go back into deficit. When you take a look at your projections—and I agree with the intent—when you take a look at all of the things that are happening, do you think it's fiscally possible to do all of these things: to reduce the debt; to deal with your concern about education; health care—which you haven't mentioned but as Premier Mike Harris said today is the number one concern that he sees; plus infrastructure; plus all of the other things that are going on; plus tax cuts?

You've already said that the economy will not grow at the same level next year. You've got the signal that came from the US. As you say, the Bank of Canada is going to announce today that they're going to increase interest rates. All of these things put the ability to maintain this program in jeopardy. What do you have to say about that?

Mr Robson: The first thing we have to say is that most of us would agree that the things you've just talked about mean Ontario is on a roll and it should stay on a roll for some time, with everyone we've talked to and everything we've seen. We realize the pitfalls—I think Atul called it the dark cloud—but as long as we're in that mode, that's why we feel so much attention should be paid to the debt ratio. That's the time to do it. I'll defer to Atul and Carolyn on that. Any other comments?

Ms Conner: I would like to commend you for outlining the challenge that you face, that is the challenge facing all governments in Canada: balancing tax cuts, debt reduction and program spending. In our perspective, debt reduction should have a high priority, perhaps a higher priority than it has under the current program.

Mr Christopherson: Thank you, all. Doug, good to see you again. I just wanted to pick up on what Monte mentioned. It was my understanding actually that Harris is the only Premier who's saying that tax cuts are the number one priority, over and above health. I could be wrong, but that's my understanding of what he's saying. He's the only one who's not saying health care but rather talking tax cuts, which I think puts him clearly out of sync with the balance of Ontario.

On page 17 you spoke about education and you mentioned that "both the Leader of the Opposition and the Premier began speaking on the issue and pre-kindergarten funding was maintained." I'm sure it's just an oversight, Doug, that there wasn't mention of the fact that of course everyone knows the NDP is onside with the idea of early childhood funding, since it was our government that mandated that school boards had to

provide it and Harris's government that removed that mandatory aspect. I'm sure it's just an oversight, but I thought I'd backfill that for you.

Mr Robson: Thank you.

Mr Christopherson: You're welcome.

On page 6, at the end, I want to quote directly and then a quick question. "Canada is in the midst of one of the longest post-war expansionary periods. Canada is now in its ninth year of growth. The expansion of course will eventually come to an end. While it may not happen this year or the next, government policy must recognize the cyclical nature of the economy and prepare as much as possible for the eventual economic contraction."

Given your emphasis on debt reduction and the elimination of deficits, were we to go suddenly—and you mentioned further that there are a number of things that could happen that could put us into the ditch big time. If that happened, what would be your priority: maintaining the health care system and the education system or not going into a deficit position? Which would be your priority?

Mr Robson: To be honest with you, it's a hypothetical question and I don't think Carolyn's committee has had a chance to look at it. I would defer to our chief economist and to Carolyn on that.

Mr Christopherson: I'm not trying to play games. I'm just trying to get a sense of how resolute is your belief that there should be no deficit ever versus if we're into a situation where the revenue of the province has dropped so dramatically either you go into a short-term deficit position or you start further hacking away at education and health care. I wondered how resolute you were in that.

Mr Sharma: You will recall that we supported the government's balanced budget legislation. We thought it was a fair approach to the finances because we recognize that there are cyclical problems in the economy. The way the legislation is set up, you can apply the surplus from the previous three years to any deficit situation you have, and if revenues fall below 5%, the conditions are waived. We think that having that three-year rainy day fund should help cover off deficits in future years, should they occur.

Mr Christopherson: That's assuming, of course, that there is surplus to be had and that it hasn't all been given back by virtue of more tax cuts that don't benefit the middle class and the poor, who are the ones who need public health care and public education systems. So it's not necessarily a good solution, and the 5%, as Doug and I debated not long ago on Michael Coren's show, has only been achieved once in the last few decades, and that was in 1992, in the midst of the last recession, during which we were fortunate enough to govern.

Mr Sharma: That is correct. But that is why one of our recommendations was to put forward the five-year surplus plan, so there would be some stability and predictability in the finances, which we could measure the government against.

Mr Christopherson: So is it fair to say—and I don't want to put words in your mouth—that regardless of what mechanism is used, the notion that there shouldn't be any deficit is obviously a very serious high priority for you, but not at the expense of the health care system and the education system, the basic foundations that create quality of life for us in Ontario?

Mr Sharma: I would say there is enough flexibility within the current fiscal framework to cover off any foreseeable downturns in the economy, and enough flexibility to move away from the legislation to cover off any extreme problems in the economy as well.

The Chair: We have run out of time. On behalf of the committee, thank you very much for your presentation this morning.

Mr Robson: I have our document, Ontario in the 21st Century, which many of you already have. If anybody wants one, I would be happy to take it around.

The Chair: If you would leave some on the counter, members will pick them up.

Mr Arnott: Mr Chair, just quickly before the committee adjourns, a point of information: Mr Christopherson, perhaps you haven't had a chance to read the Toronto Star today, but there is an article quoting the Premier of Ontario concerning health care being the number one priority for him at the meeting that is taking place in Quebec City. He is quoted as saying, "I do believe there will be unanimity—the number one challenge is health care and the massive pullout of federal dollars, particularly under the Chrétien Liberal government."

The Chair: This committee will recess until 1 o'clock this afternoon.

The committee recessed from 1203 to 1300.

ELEMENTARY TEACHERS' FEDERATION OF ONTARIO

The Chair: If I could get your attention please, I'd like to bring the committee back to order. Our first presenter this afternoon is the representative from the Elementary Teachers' Federation of Ontario. Could you please step forward and state your name for the record.

Ms Phyllis Benedict: Good afternoon and thank you. I'm Phyllis Benedict. I'm president of the Elementary Teachers' Federation of Ontario. With me today, on my right, is the first vice-president, Susan Swackhammer; my general secretary, Gene Lewis; and executive assistant, Barbara Richter.

The Chair: Welcome on behalf of the committee. You have 30 minutes.

Ms Benedict: The membership of the Elementary Teachers' Federation of Ontario consists of all teachers who teach in Ontario's public elementary schools. The federation also represents a number of educational support personnel.

We're pleased to have this opportunity to appear before the committee today. In addition to our written submission, we are also distributing a research report commissioned by ETFO that documents the impact at the

individual school level of the education funding formula. These school-based data were collected and analyzed by Comquest Research and are based on surveys collected from 49% of the public elementary schools.

While ETFO firmly believes that the entire public education system lacks resources to provide the best learning conditions for Ontario's students, the focus of our presentation is on how the funding model fails our elementary students.

The imbalance in funding between elementary and secondary students is historical and is not justifiable. Elementary teachers have looked to government for many years to address the inequities between the two panels and, unfortunately, in designing the new education funding model, the government missed an opportunity to correct this imbalance. Overall, the new funding formula has resulted in fewer teachers at the elementary level, larger class sizes in primary grades, funding cuts to special-needs students at risk and cuts to valuable programs like special education, library, guidance, music, and design and technology.

A good education system has many components, not the least of which is its teachers. When the funding formula limited teachers on the basis of one teacher to every 25 students, and library and guidance on the basis of 1.5 teachers for every 1,000 students, the result was fewer teachers and fewer programs. The increased pupil-teacher ratio has been documented by the Education Improvement Commission's school board profiles. It is also demonstrated through the ETFO school-based research report which shows the PTR increasing from 18.6 in 1998-99 to 19 in 1999-2000. On average, that translates into 1.4 fewer teachers in every elementary school this year despite enrolment increases and it means fewer programs and less teacher time with our students.

Through Bill 160, the government implemented a policy of board-wide class averages: 25 in elementary and 22 in secondary grades. The impact of this policy has resulted in average class sizes in primary grades actually increasing significantly. You will note on page 4 of our brief that since 1997-98, the average class size has increased as follows: junior kindergarten, 19.7 to 22 students; senior kindergarten, 20.2 to 23.1; grade 1, 21.4 to 23.6; and grade 2, 22.1 to 24.2. These increases in primary grades fly in the face of a growing body of class size research that indicates that class sizes of 20 or less are key to student achievement. While many Canadian provinces and American states are making significant investments in class size reduction for primary grades, Ontario is going in the opposite direction.

We know that when some school boards reported difficulty in achieving the average class size of 25, they were advised by the ministry's regional offices to remove from the class size calculations those special-needs students who were integrated into a regular class for only part of a day. That's an artificial manipulation of figures and distorts the classroom reality experienced by both teachers and students. Special education funding drives more students into full or partial integration. When these

students are integrated, class sizes should be reduced to enable teachers to give each student the individual attention necessary to support their learning progress.

Another effect of the funding formula's requirements for space allocation in average class size has been an increase in the number of combined grade classes. While combined grade classes have traditionally provided school flexibility in staffing, the new grade-specific curriculum makes teaching these classes extremely challenging. Most combined classes consist of two grades but here in Ontario, especially in northern Ontario, within the French language schools, there are as many as three or four grades in one classroom. Teachers in these classes must prepare more lessons and, again, there is less time to spend with that individual student and students end up taking home more work.

The education funding formula took \$197.9 million away from early learners and placed it in a early learning grant to be used for enhanced programming for kindergarten to grade 3 students. This grant is only available if a school board does not offer junior kindergarten. Every board in Ontario was faced with the same decision: Do we enhance programs from kindergarten to grade 3 or do we give four-year-olds an opportunity for an education? School boards should not be placed in this position.

It is increasingly clear that special-needs students are underfunded. Underfunding special education programs hurts younger children disproportionately because learning problems and exceptionality must be identified and addressed as early as possible.

School business officials claim that school boards are spending \$100 million more on special education than the formula allocates. The recent Ministry of Education announcement that another \$40 million will be allocated to special education is only a very small step forward.

An important component of any education funding formula is the money allocated to children who are at risk due to their socio-economic circumstances. If they receive enhanced programs, help with reading and more individual attention, they have chances for success that they might not have otherwise.

The expert panel on learning opportunities estimates school boards across Ontario spend approximately \$400 million on students at risk. The new education funding formula, through the learning opportunities grant, provides only \$185 million. ETFO is joining with the EIC in calling on this government to address this situation. Failure to do so will result in high human and financial costs down the road.

The funding model funds pupil spaces, maintenance, renovations and new spaces at a lower level for elementary than for secondary students: 100 square feet versus 130 square feet. This limitation is arbitrary and ignores the space requirement for child-centered learning at the elementary level. The space limitations are forcing school closures, which means that young children are bused to farther schools. The receiving school is often then forced to convert science centres, English as a

second language, music or school education-resource rooms into regular classrooms to accommodate the influx of new students. These changes make it difficult to effectively deliver programs and limit the ability to reduce class size.

1310

ETFO's commitment to early childhood education extends beyond the walls of our own classrooms. High-quality licensed child care is a vital component of early childhood education and services provided to our young children.

Since assuming office in 1995, the Progressive Conservative government has reduced access to quality child care services. The government no longer provides capital funding to build child care space in new schools. The funding formula does not recognize child care space in its accommodation grant. While existing child care programs are initially allowed to stay in schools, many have been pushed out as the funding formula forces school boards to close underused schools. School-based child care programs continue to be at risk of eviction or high rents because of the funding formula.

The undermining of school-based child care contradicts two decades of research and government task force reports which point to the importance of greater, not less, integration of children's services. It is time for the Ontario government to reassess its child care policy and to increase its investment in regulated child care services and provide capital funding to support school-based child care programs.

The funding formula fails the test of adequacy on other fronts as well, including no inflation protection and no provision for emergencies or unforeseen expenditures. Parts of the formula contain no provision for enrolment growth—insufficient funding to meet the current teacher compensation, let alone allow for salary increases in the next round of bargaining. Many teachers have been without salary increases since 1992. Failure to address the compensation issue will create problems in attracting new teachers to the profession at a time of a projected teacher shortage. It will also lead to confrontational bargaining as we head into the next round of school board negotiations.

Claims that the new funding model directed more dollars to the classroom are pure rhetoric. The ETFO school-based survey documents show that there are fewer teachers, increased class sizes and cuts to valuable programs. This federation is calling on the government to seriously review its education funding formula, with particular attention to redressing the historical imbalance between elementary and secondary students.

You will find our list of specific recommendations at the conclusion of our submission. We would now be happy to answer any questions you may have.

The Chair: Thank you very much. We have approximately five minutes for each caucus. I'll start with the official opposition.

Mr Phillips: Thank you very much for your presentation. The first thing that really caught my eye was

the increase in the average class size for junior and senior kindergarten and grades 1 and 2. If I am reading this properly, it looks like there is almost a 10% increase in class size. That is contrary to what the government tends to tell us in the Legislature. I have been led to believe that class sizes were going down. What is the cause of this?

Ms Benedict: I believe I mentioned a number of the causes. I know that parents in this province believed, when the number of 25 students in an elementary classroom was inherent in Bill 160, that come September that's what it would be. But indeed we have class sizes in the high 30s and the low 40s because "board average" does not mean there is a cap of 25 students.

Like you, we are very alarmed with the increase, especially in the early primary. Every piece of research points to the fact that lower class size enhances learning opportunities, and the benefits to that student and indeed to the system are long-term. So you have other provinces throughout Canada—British Columbia is taking the lead, for example. You also have many states throughout the United States addressing this concern and putting more teachers into the system to allow for lower class sizes, especially at the primary level. The data we have brought to you today is based on the realities of Ontario's elementary classrooms here in the 1999-2000 school year, because this is the information that came back from the schools.

Mr Phillips: I would think it would come as quite a surprise to the public, because I think they listen to what we hear across the hall in the Legislature. The perception is that class sizes are dropping. The second thing they'll normally say is, "Don't blame us, blame the school boards, because it's not our fault." I gather from your comments that the challenge is that school boards with the resources that are provided—the government now has 100% control over how much money a school board gets; there's no flexibility. Is this a function of the school boards not having the financial resources to reduce the class sizes?

Ms Benedict: I believe that the whole funding formula model and the numbers that are put in the specific lines need to be addressed, and addressed very seriously. As we pointed out in our brief, boards are having to make decisions that they shouldn't have to make, that is, they are having to say, do we take the money and run junior kindergarten programs, knowing the benefits of that, or do we offer some kind of enhancements for kindergarten to grade 3, none of which addresses class sizes? I believe, to point the finger back to the boards, that they are doing the best they can in a very difficult situation.

Mr Phillips: The other area of intense interest to our caucus, among others, I guess, is the special education area, where once again what we hear at Queen's Park, when we're cloistered here away from reality, is, "We, the government, have guaranteed funding for special education." The only problem with that is, they've probably guaranteed it, but it's lower than the school boards, I gather by a substantial amount, were already spending.

So it's guaranteed, but guaranteed at several hundred million dollars lower. I wonder if you can comment on that—I know your brief mentions that—just where we are right now in terms of trying to redress that problem, where the government announced special education funding that I believe was \$400 million or \$500 million lower than school boards were actually spending. Are we back now to funding close to that level, or how much further do we need to move?

Ms Benedict: If we look at some of the data that was brought in through the Education Improvement Commission reviews, boards are currently spending about \$100 million above what is in the lines for special education. So while the announcement last week was good news that the government was indeed looking at the problems within special education, \$40 million is hardly going to address the problems that currently exist. Even within the funding and the way the boards need to address the special education now, as we pointed out in the brief, the attention that our special education students need to have to be successful is virtually impossible when they're sitting in classes where the sizes are too large for the teacher to be able to address those specific needs. Also, many of the other types of resources that traditionally have been there for special education students are not there any more, whether they be human resources as educational assistants or whether they be physical resources for accommodation of those students in the regular classroom. As it stands now, the reality in the classroom for a special education student, is certainly not an optimum learning environment for that student, nor the other students that are around.

The Chair: With that, Mr Phillips, your time has expired. I must go to Mr Marchese.

Mr Rosario Marchese (Trinity-Spadina): Thank you, Ms Benedict, for the presentation. I thank the other panelists for being here.

In my view, what you present to us is critical, because you are in the front lines. Harris and the Minister of Education are relying on the public not to trust you. That's basically what they're hoping will happen, because each time you say something, Harris will want to say: "Oh they're just special interests; it's the unions." He's relying on the public to believe that. You might recall that People for Education presented a survey that they had done, and the minister mocked the facts that I presented as not being facts, merely a survey. "There's nothing to compare it to," the minister said. You now present a survey, to which I'm assuming the minister will say: "It's just another survey; we have nothing to compare it to," yet they present nothing to us so that we can compare your statistical information with theirs. My worry is that they are going to rely on the public saying: "This is nothing to rely on."

1320

How do you propose to deal with that? Because I have a problem here convincing the Minister of Education and Harris that we've got a real problem. What do you think

should be done to have the public listen to the evidence you presented?

Ms Benedict: My immediate response would be that if this government feels that these figures and other studies that other groups do are not truly reflective of the reality in our classrooms, then perhaps a very in-depth, truthful, honest study should be done by the government and we can compare data. That was part of the reason we went to our teachers in the field and asked, "What is the situation in your school?" This is the situation school by school. Numbers are not manipulated. We wanted to have the raw data so that we can say that you are not addressing the needs of our early learners, you are not addressing the needs of our special education students, and indeed your purported number of 25 students in a classroom is not the reality that parents are seeing or teachers are experiencing, and this is not the best learning environment for our students.

Mr Marchese: It seems to me that we just have to continue saying it. I recall, in the questions around special education, the minister saying, "We simply have given what school boards said they wanted." The point was made to them that they were \$120 million or so short, and they kept denying that there was a problem of funding, you might recall. The minister continually denied that there was any shortfall and continually said, "We've given them what they wanted." All of a sudden \$40 million appears, illustrating that they admit there is a problem, but they can't publicly say that there is so they have to lie about the fact that there is a problem. When it comes to the crunch, they eventually release some money, but it's not enough. My point is that we have to keep at it in the way that you are to allow the public to see the facts, and to eventually have the government release some money when we're not sitting in the Legislature, as a way of having them respond.

My other point is that this has been a good economy, and Harris continues to remind us that this is a great economy; it's because of him, obviously. We're so happy that Mike Harris has created this booming economy. There are billions of dollars in this past year—Ernie said that we collected another \$1.5 billion. Where is this money going? If in a good economy we cannot reinvest in education and health in particular, when are we going to reinvest? Do you believe the money is there to reinvest in education or do you think somehow it's not there, as some people believe?

Ms Benedict: I do believe the money is there. I do believe there is a way to critically look at and analyze the current funding model, the various generators within the lines, to ensure that all of these programs can be met. Students in Ontario deserve nothing less.

Our publicly funded education system is a cornerstone of democracy. It's something that we have been proud of as people from Ontario and from Canada. We hear the comments from the Minister of Education that she too believes in a strong public education system; however, we know that it takes very significant dollars to fund it, to make it the best. We provide excellent teachers and

practitioners in the field in our educational workers. We're willing to do our part, but we have to have the tools with which to do the job.

Mr Marchese: I appreciate, by the way, the comments you've made around the issues of poor children. Poverty is an issue in many pockets of Ontario. Even the Education Improvement Commission talked about that and said that unless we deal with those issues, many of these kids will obviously suffer, and we as a society will suffer if they have problems. They in fact said that we need to improve that funding formula. We have poverty in the city of Toronto and indeed in many other pockets of Ontario as well. We have a great deal of immigrant-related issues, refugee-related issues, and we're not putting enough money to address it. I think it will have calamitous effects to the teachers and to our society if we don't deal with those poverty issues. You talked about having to increase that amount that's there by many millions. I don't know if you have any further comments, but I'm seriously concerned about that and I'm glad you raised it again.

The Chair: I'm sorry to inform you, Mr Marchese, but your time is up.

Mr Arnott: If I'm not mistaken, I thought I heard Mr Marchese use the word "lying" with reference to the government's statements or figures, and I would like to give him the opportunity to withdraw, given that that is unparliamentary language. It's not appropriate—

Mr Marchese: I think I should take it back, Mr Chair. I'll make reference to other language as a way of getting to that—

The Chair: We'll strike it from the record. Thank you, Mrs Molinari.

Mrs Molinari: Thank you, Mr Chair, and thank you very much for your presentation and for your survey.

As a committee, we listen to a number of presentations and we will be doing that throughout the coming weeks. Certainly there are conflicting points and ideas, and that's where the challenge of the government comes in, to take from all of that and then to make the difficult decisions that we need to make to move forward. The money is not endless. The pot is there and there's only so much to go around. That's part of the responsibility of the government, to distribute that. But I thank you for your survey and we will be looking at that along with all of the other presentations that come in.

I have a couple of comments and questions with respect to the funding formula. Your recommendation number 12 is to restore the right of taxation to the local school boards. Now, for years and years it had been stated that the funding formula was not appropriate to provide education for all the students in the province of Ontario in a publicly funded system, where it was directly geared to the level of residential taxation. So those in the rich assessment boards would be getting more dollars for education and those in the poorer assessment boards would be getting much less. That's not equitable. Certainly the funding formula is ever-evolving. It has been evolved over the first implementation of it up

until now, and that is something that will be continuously reviewed in order to provide equitable funding for all the students in the publicly funded system in Ontario.

The comments on the square footage for elementary and secondary: In your presentation you state that you believe they should be the same. Well, the secondary panel would disagree. The students in the secondary panel are physically larger. They are older so they're larger and the space they need is greater.

The class sizes issue: There is now an average class size that has to be, according to the legislation, implemented by all the school boards. School boards no longer have the ability to negotiate class size. The ability is minimal and the class sizes can't increase. In the past, class sizes have increased by virtue of negotiations. In contracts, the class sizes have grown in favour of enhanced working conditions, enhanced salaries and so on. As a government, we feel, as you have stated, that smaller class sizes are in fact better for the education of the students, so as a government we've tried to do that.

The capital funding portion: Yes, in some areas—some of the schools are in remote areas—there's a risk of closure, and that's being discussed with the individual schools. One of the problems with the last capital funding allocation was that boards did not have the flexibility of choosing where to build a new school in high-growth areas. There was a priority list put together and it was presented to the government of the day. The government then chose from that list whatever they felt were priorities based on the rest of the province. I recall boards putting together a priority list that had about 10 listed, and they got their number six; they didn't get their number one. How can a body that is detached from the actual school board decide which is the priority, not taking into account the number one priority of the board? The new capital funding formula allows boards to allocate schools in the areas where they feel there is the most growth. So that flexibility is there.

As I've said, if the pot was endless, we could distribute dollars throughout and everyone would have whatever it is they were requesting. I'm not sure that putting more money into certain areas is the answer. This is finance, so we're not curriculum, but if we're talking about education, the curriculum was another area where teachers and everyone within education said something needed to be done. So there are some positive changes that the government has made toward education. It's ever-evolving, and having constant discussions with those who are directly front-line helps us in our decision-making.

1330

With that—I don't know if I've taken all my time; I wanted to leave some for my colleagues—I thank you for your presentation. I certainly will take your survey and read it intensely.

The Chair: With that, we have taken all the time. On behalf of the committee, I would like to thank you for your presentation this afternoon.

Mrs Molinari: Can I put a question?

Mr O'Toole: Unanimous consent?

Interjections: Agreed.

The Chair: I'm going to keep on going with the agenda. I'm sorry.

Mrs Molinari: Can I have—

The Chair: No, we're done. We're going to the next one.

PUTTING HOUSING BACK ON THE PUBLIC AGENDA

The Chair: The next presenter is the representative of the group Putting Housing Back on the Public Agenda.

Interjections.

The Chair: Could we please have a little bit of order. I think we should maintain some decorum in this committee. We have presenters, and comments should be directed to the Chair. I will not stand for any other comments across the room.

For the record, could you please state your name.

Mr Alan Redway: My name is Alan Redway, Mr Chair. I am a former mayor of the borough of East York and a former Minister of Housing federally. I am here today representing a group of citizens who are anxious to put housing back on the public agenda. I'm one of three co-chairs of that committee. It's a tripartisan committee, if you will, with a former housing minister in Ontario, Mr Sweeney, as one of the co-chairs; a former NDP member of the House of Commons, Marion Dewar, as the other co-chair; and myself. I want to thank you and all of the committee for giving us this opportunity to make a presentation here this afternoon.

There is a growing consensus by the public at large that all governments need to play a role in addressing the affordable housing crisis. We believe the members of this committee are aware of that consensus and also wish government to play a positive role in addressing it, and our remarks are based on that premise.

There are two other factors that have influenced our remarks. One is what we understand to be the financial priorities of the government and the other factor is the desperate situation that more and more low-income, working-poor families of Ontario are finding themselves in. The housing situation is getting worse for these families and not better. We refer you to the Where's Home? report which our group was involved in releasing a few months ago. I've got copies of that report in the event that you haven't seen it or would like to refresh your memories about that. There are two parts to it. Perhaps the clerk would be kind enough to distribute that.

The Where's Home? report shows a number of very significant facts. It shows that rental housing vacancy rates are falling. Even in areas with high vacancy rates, they face rising rents and affordability problems. Rents are rising faster than inflation, and the income of most tenants is actually declining. Tenant affordability problems are growing, and everywhere in Ontario social housing waiting lists are growing as well. Almost one in four tenant households are at risk of homelessness.

Rental housing production has actually crashed. The supply of affordable housing in the private sector is diminishing. There were almost 1.5 million overnight stays at homeless shelters last year, and close to 300,000 people rely on food banks every month.

We should also note that the Ministry of Housing's Web site projects that a total of only 450 new rental units will be created this year throughout Ontario, a projection which shows that the private sector is unable to build for the rental market in which most lower-income families are struggling. Despite almost five years of efforts by the government to encourage the private sector to build affordable rental housing by cutting taxes and loosening rent controls, the production of rental housing has declined and many more households are at risk. So the need is great and here are our proposals.

First, in March of last year, the government announced that it was committing \$100 million to housing for the homeless. We know that you'll ensure that that money is spent on housing for the homeless and is not redirected to other areas. Of this amount, \$45 million has been earmarked for supportive housing. The uptake on that has been very slow, and we don't know how much of this money has been actually spent. Once spent, it's projected that 2,000 people will be housed, a very small number indeed given the need across the province.

In her report, Anne Golden recommended that 5,000 such units should be built in the city of Toronto alone over the next five years. We would like assurances that the remaining phases will be undertaken as quickly as possible so that this money will be actually spent in the year 2000. It would be most unfortunate if actions were taken so that this money did not actually get spent on what it was intended to support.

Secondly, we know that \$50 million of the \$100 million is earmarked for rent supplement agreements. We would like a commitment that this will be new money and that this will fund additional units. Rent supplement agreements are coming to an end every week, and we understand that more than 3,000 rent supplement units were lost last year and not replaced. We fear that this money might be used for replacement units rather than for an increase in the number of units and we would like assurances that existing money will fund replacement rent supplement units and restore the full level of 16,600 units in Ontario and that this \$50 million will be spent to increase the number of rent supplement units beyond the 16,600.

Thirdly, we're also concerned about the planned sale of public housing units. Since these 5,800 single and semi-detached homes house larger families and have very low administrative costs, this sale is really false economy and shouldn't proceed. Further, we fear that this sale is being counted on by the government as a source of funds for rent supplement units. This is not the time to sell off existing social housing stock, particularly when the demand for affordable housing is so great and the government has made no financial commitment to replace the lost units, even with a similar number of rent supplement units.

Tenants who may be able to afford to buy houses as a result of government tax cuts, the 5% down payment and lower interest rates have many other private sector homes available to them without selling public housing units. Further, replacing permanent stock with temporary stock, three- or five-year rental contracts with landlords through rent supplement programs, really doesn't make much sense.

We're also aware that some of the savings from the federal government following the signing of the social housing agreement last fall have gone directly into general revenues. We believe that those savings should always be directed to social housing initiatives, either supporting existing social housing stock or generating new housing.

1340

In short, we would ask for assurances that existing financial commitments will be honoured and that the funds that have been committed will not be used as a way to finance future announcements.

Finally, we believe that a new commitment should be made in the next budget to increase the amount spent on an increased number of affordable rental units. The sum of \$100 million, the same as last year, would be a modest start. If it was entirely devoted to increasing rent supplement units for a single year, it would at best provide 20,000 extra units, assuming the average rent supplement would be \$400 per month or \$4,800 a year. The number of households paying more than 50% of income for rent in Ontario is now in the order of 300,000. So this amount would only meet 6% or 7% of this very serious need, and then only for a one-year period. Further, in communities like Toronto where the vacancy rate is very low, rent supplement units will be even more expensive and perhaps impossible to secure because the owners have so many other options.

Our group would of course prefer that some of this money were used to construct new affordable housing, but the key point is that a new commitment should be made by the government to secure an increased number of affordable units, given the great and the real and apparent need. We believe that if funds were made available, it would be possible to match them with funds from the federal government so that a more sizeable impact could be felt. The Federation of Canadian Municipalities has called on the federal government to establish an infrastructure program, a request which seems to have met with some support at least in Ottawa. If the Ontario government committed funds in this budget, it would then be in a reasonable position to join in federal-provincial discussions to design the details of this program.

Those are my comments. I'd be pleased to answer any questions and I want to thank you in advance for the opportunity of making this presentation, Mr Chair.

The Chair: Thank you very much for your presentation. We have approximately five minutes per caucus and I'll start with the third party.

Mr Marchese: I want to thank you, Mr Redway, for being here and presenting on behalf of the group. Putting

Housing Back on the Public Agenda. I want to acknowledge publicly the work that all of you have been doing. None of you are paid to do this. You are here because of the greater public good and in the protection of the greater public interest. You're not here for yourselves, obviously. It always amazes me that there are people who put a great deal of their time and their lives towards doing something that in your view is important to be done, and it's important to be done by governments.

I'm worried, because you know that in the Reform convention in the past week Mr Long excoriated Mr Clark and accused him of being perhaps a Liberal or not a real Tory. Before I get to some housing questions, aren't you worried about that kind of attack from people like Mr Long?

Mr Redway: Is that really a question?

Mr Marchese: All right, I'll move on to the other questions. I'm a bit worried for you.

Mr Redway: It's a great statement for the public record.

Mr Marchese: It did worry me, I've got to tell you.

You raised many points and the group raises many issues. You've been a minister before. Why do you think this government has an interest in selling off the 5,800 single and semi-detached units that house families at a time when there's a great need? What would motivate a government that I'm assuming understands the problems we have and yet gets rid of something we have as a public asset and says, "We're just going to sell it and make a few bucks"? Is that the motivation or is it something else? Is there something about this government that I don't understand?

Mr Redway: I can't speak for the government; all I can speak for is myself and my own past experience. I must tell you that when I was the Minister of State for Housing in Ottawa, I had my staff examine this very issue because it had been something they had done in Britain. There had been a lot of council housing sold off. There was the question of whether this made some sense here in Canada from the point of view of trying to create some more homeowners out of people who were tenants. We came to the conclusion at that time that it didn't make any sense. Of course, we faced an affordable housing crisis at that time as well, but my perception is—and I think it's based on facts as they now stand—that the actual affordable housing crisis is now much worse because governments at all levels have cut off housing funds now for some time. Actually, since about 1993 there has been virtually no money coming from Ottawa on that. As a result of that, I'm one who believes we're going to have this pressure build up and build up until it explodes. Something's got to be done about it before then or else we're all going to see the hordes at the gates.

Mr Marchese: That's my worry. I just heard Mr Clinton the other day in his state of address remarks where he commented on the fact that they have defeated the deficit, of course through a great deal of sacrifice by cutting a lot of spending, obviously, and have hurt a lot of people in the process. But now, because the economy

has turned around for them, and for us in particular, we are in a surplus situation. We've got money. Clinton was saying, "Now that we have a surplus and we've got money, we should be spending." It was a very bold remark to make. If you can't spend in a good economy, when will you spend? You already talked about the well-documented problem we have in housing, that we have a crisis at the moment. If we're not building when we have the money, the crisis can only deepen down the line. Is that not your view? Is there something else?

Mr Redway: Absolutely. I think you've put your finger on it. There are certain things which are in very serious shape financially. Housing is certainly one of them and one of the top priorities as far as I'm concerned. If we cannot put that at the top or near the top of the priority order in a time when the economy is good and when I understand the government is going to have a balanced budget to announce in the next budget, if we can't do it at this time, we're never going to be able to do it, because when the economy turns down again, as it inevitably does—I'm only too aware of that from my past experience in Ottawa—it's impossible to do these things.

Mr Marchese: The government says the private sector needs time. That's why we haven't seen too many houses being built by the private sector. I'm assuming Mr O'Toole or others will say, "We've just got to give them some time." Is that your sense maybe?

Mr Redway: That may be what the government feels will happen, but I have had some rather in-depth experience at trying to get the private sector to build affordable housing. When I was minister in Ottawa, all of the private sector housing associations and individual builders would tell me: "Look, we are not in the business of losing money. We're in the business of making money. We cannot possibly make money by subsidizing low-income families. That's not our role. We understand it's not our role."

The government can try, as it has—and I give them full marks for their efforts—cutting taxes and other measures to try to stimulate the private sector into doing this sort of building, but the private sector is not going to build as long as they think it's going to cost them some money. In addition to that, there's the issue about rent controls. The private sector has told me in the past, and I suspect they feel the same way now, that regardless of what is done with rent controls today, there's no guarantee they wouldn't be introduced tomorrow and therefore that is a big roadblock in having them try anything in the way of rental housing. Now, the rental housing they're talking about is not the kind that the average low-income, working-poor family could afford. Those people need some help. Historically in this country 20% of all Canadians have never been able to pay all of their housing costs. At the moment, without any of the reductions in the number of assisted housing units across the country, we're meeting about a third of that need. But now what we're doing is trying to encourage all levels of government to try to at least meet the need that has been met in the past, and hopefully we'll meet some of the

other needs that are still out there and have been for some time.

1350

Mr O'Toole: Thank you, Mr Redway. I appreciate your perspective and your expertise in the subject area. You've touched on a couple of important issues, but I just want to start from the premise that I recently read an article which stated quite sympathetically that with all the social unrest or uneasiness or restructuring, shelter is the most important single item that could contribute greatly to resolving, individually or collectively, our economic wellbeing. I support from that position, the permanency and other things that flow from that, that there needs to be a strategy. I guess Anne Golden was saying that too. It is a multi-responsibility issue.

I guess we started from a position of seeing what we characterized as a boondoggle of social housing during the prior government outpacing the cost of private sector housing. Arguably, if you use that Keynesian economic theory, in good times you should be accumulating and in bad times you have to spend. So it's quite the reverse of what you said. In good times you should be accumulating for the horizon that's just about to crash. Some of the things that have been said for the record are not exactly as I see them. We're restructuring a strong economy to be prepared; as you mentioned, the tax cuts.

I do want to share my time, so I just want to make one point very carefully. The issue of housing is complicated. You were there probably when the debate started on the devolution of social housing, probably that early. It takes 10 years for anything actually to happen.

Mr Redway: Right.

Mr O'Toole: That recent signing of \$196 million and giving us all the liability that goes with it, that's the issue for the province. The next stage is that the municipalities are going to get the liability. Generally governments aren't good managers. That's really the point that's being made. Since 1993, the federal Liberal government since 1993 hasn't put a nickel into it and now they're getting rid of it to us. Do you understand the point? We're into shelter subsidies. That's not bricks and mortar. That's trying to find some way of—

One last point in that supportive housing discussion is that one of the strategy pieces is the review of rent control. The onerous task on the private sector that you described, as long as they're in place or likely to be in place, they're not going to be building them. That's the end of it.

Mr Redway: Rental housing, yes.

Mr O'Toole: Exactly. Why would they when they're not ever going to get paid? So you give it to the actual landlord through some subsidy or something and you're bound to get—look at housing starts, though, and that's an inventory issue which you would know about. We've doubled housing starts. Somehow there's a trickle-down—I hate to use that word—effect so that the repurchased house ends up as a first-time house for someone coming into the market. We've kept a strong economy and low mortgages. That's another way of

saying we're providing accessibility to housing. That's the theory that I think is currently under the persuasion of this government, because individual initiative and those other decisions that people make, and providing for those very poor that we all have a collective responsibility for, that's my economic statement. I'm going to leave the rest.

Mr Redway: I wonder if I could just comment on that, Mr O'Toole. I appreciate your comments and I think they're very helpful. First off, on the question of rent control, that issue is one part of the equation as to why the private sector doesn't build, but it's only one part and it's not the entire answer. Even if there was a lead-pipe guarantee that forever and ever there would be no rent controls, you wouldn't help these people at the bottom of the barrel here.

The other thing is that you've emphasized that the government looks at this with the idea of a rent supplement, and that's the focus of my remarks. We appreciate that that's what the government would like to do as far as assisting housing is concerned, and that's what we would like the government to do too.

We do believe there's no reason to discard the idea of new construction forever and we do believe that this government is wise enough and has enough clever minds in it to develop something that isn't a "boondoggle," but at the same time we understand that your focus is on the rent supplement kind of assistance, and that's what our focus is on, to try to assist this committee to encourage the Minister of Finance, the Minister of Housing and the Premier to get some more to help these people at the bottom of the barrel.

The Chair: With that, I must go to the official opposition.

Mr David Caplan (Don Valley East): Mr Redway, thank you for your presentation—a lot of information and a lot of things to cover. One of the areas I wanted to ask you about was in this Where's Home? study. On the second-last page there's a chart called, "Ontario's Rental Housing Unit Needs Versus Cumulative Actual and Projected Rental Production, 1996-2001." This is a calculation done by Canada Mortgage and Housing Corp, a group that you used to oversee as minister.

Mr Redway: Correct.

Mr Caplan: So these are solid numbers, yes?

Mr Redway: Yes, indeed. Absolutely.

Mr Caplan: Eighty thousand units have been required from 1996 to 2001, yet Canada Mortgage and Housing tells us that 6,000 units have been created.

Mr Redway: It surprises me that 6,000 have been created.

Mr Caplan: Yes, it is surprising, given that public housing projects were cancelled.

Mr Redway: But I certainly believe their numbers.

Mr Caplan: So 74,000 units of housing which we need in this province have not been built and yet the problem still continues. You can see very clearly why there's a crisis.

These numbers are solid numbers, and this points to some of the reasons and some of the facts you present. For example, 300,000 people rely on food banks each month. They can't afford their accommodation. They need some help. They're spending more money on their accommodation so they have to rely on the food banks. That's the kind of precarious situation—families are being asked to choose between feeding themselves and housing themselves.

Mr Redway: When you spend 50% or more of your income on rent every month—and that's not net income and it's not just the income of one earner in the family; that's the entire family income and that's the gross income. When you spend that much money on keeping a roof over your head, there's not much doubt that you're going to have to go to a food bank.

Mr Caplan: For food, for transportation, for a telephone, for winter boots for the kids. That's the situation that people have been placed in. In fact, I had the opportunity to ask Mr Clement, the Minister of Municipal Affairs and Housing, what the acceptable maximum was that people should be paying for their accommodation. He told me that in the estimation of this government the maximum is around 30%.

Mr Redway: That's a historic level.

Mr Caplan: Well, that that's an appropriate level. I was looking at the study that you've presented based on the data of Statistics Canada and Canada Mortgage and Housing Corp. Over 50% of Ontarians are spending more than 30% on their accommodation, yet that gap and that crisis continues to grow; about a quarter are spending more than 50%.

Mr Redway: Correct.

Mr Caplan: That's astounding.

Mr Redway: It's a pretty sad picture but it's a historic picture. It's not something that has just started today, but at the same time it's something that we've got to address. If we don't address it, we really are going to have the hordes at the door, in my opinion.

Mr Caplan: It will manifest itself with more people in shelters, which we're already seeing.

Mr Redway: Exactly. In my days as minister, it was the middle class who got excited about lack of affordable housing. I think that time is coming fast with us here at the moment. When the middle class gets excited about this and when it is the middle class who elect governments, then it's going to get some attention for sure. But surely we can do something about dealing with this before it gets to that stage.

1400

Mr Caplan: The last point, Mr Redway: What I found most compelling about the data that you've presented here is that often there's a perception that this is simply a Toronto problem, but from looking at every community listed here—Barrie; Hamilton; Durham region, where the last member asking questions is from; Windsor, where my colleagues is from; Hamilton—this is clearly across every community in Ontario. No one is untouched by the crisis in housing and affordable housing in this province.

Mr Redway: Absolutely. No question about that.

The Chair: I guess that completes our time. On behalf of the committee, thank you very much for your presentation.

Mr Christopherson: On a point of order, Mr Chair: Just further to the comments that started with Monte and moved to me and then to Ted Arnott with regard to what the Premier was saying at the Premiers' conference, my staff have pulled together from CBC Radio News this morning a transcript of their newscast, and it reads in part: "But Ontario Premier Mike Harris is one exception. 'We need more jobs, and the only way to get jobs is through tax cuts and then put money on health,'" he said.

I would interpret that, Ted, to say that he's putting tax cuts as the absolute number one priority, and everything, including health, comes after that.

TORONTO DISASTER RELIEF COMMITTEE

The Chair: Our next presenter is from the Toronto Disaster Relief Committee. For the record, could you please state your name.

Dr David Hulchanski: I am David Hulchanski, a professor at the University of Toronto and a member of the steering committee of the Toronto Disaster Relief Committee.

The Chair: On behalf of the committee, welcome. You have 30 minutes.

Dr Hulchanski: I'm very pleased to have this time with you. You should all have the submission we prepared. It has the cover on it "Homelessness in Ontario."

When I was preparing this, I was reminded of an Ontario budget of a couple of years ago. The finance minister put on the back of the printed version of it a child's drawing and made some reference to it in his speech. You might remember that. That was two or three years ago. So I went to my office wall, and you see on the back cover of this submission my daughter Anna's drawing. It's much better in colour, but this is about a year and a half ago. She was doing some drawing; I was doing some writing. She asked me what I was doing and I said, "I'm working on a book on housing rights." That's a very abstract concept, as you can imagine. Any kind of human right is very abstract. So she said, "Can I do a cover for your book?" I said, "Good idea." She went away and came back half an hour later with this.

Look at this. She drew a line down the page, and on the left side is a very bright and a very happy sun, for some reason wearing glasses, and an apartment building, sort of post-modern, I guess, and a very happy resident next to the apartment building. Of course, next to it is a very unhappy, not very bright sun, a field with no housing, and you can see in there an unhappy person in the field.

My bringing this today is not to brag about my daughter's artistic abilities, but I think the people of Ontario, including the children in Ontario, understand the issue of homelessness much better than we give them credit for. There is one, and only one, common feature

that all homeless people share, one problem they all share. Many of them have many problems, but they all share the problem of being houseless. The correct name for this would really be "houselessness," not "homelessness."

You know, and most Ontarians now know, that the homeless person is not the guy you see out on the street begging for money. Yes, that person may or may not be houseless and homeless. Last night in this city, out of the 5,000 people in the shelters, half of them were families; 1,000 were children. These people do not choose to be houseless. They are houseless, and that's what I'm here to speak about today.

I will simply lead you through a couple of pages here, make reference to a few things in here, try not to repeat some of the general things I know you're hearing today on housing, and have some time for a discussion.

The Toronto Disaster Relief Committee was started about a year and a half ago around the very simple observation that was dawning on everybody that if there was a flood or a hurricane or an earthquake or something that caused 100 or 10 or 1,000 people to be houseless, we would immediately put up emergency housing and we would then immediately use all kinds of public money and facilities and so on to see that these people are properly re-housed, permanently re-housed. But that's not happening here, so we have a lot of homeless people, and it wasn't the weather or an earthquake or anything that caused them to become homeless. So we prepared this emergency declaration you see on page 3, in bold type in the middle there, that this indeed is an equal kind of emergency. Something has gone wrong. A number of things have gone wrong so that poverty today—this is the 1990s, and now the year 2000—destitution includes being houseless, not just being poor and having all the struggles associated with being poor. We need to do something now as emergency measures and we're doing some of that. They are very expensive; it's largely a waste of money. You must spend money on emergency measures and know that it's money down the drain and then you quickly want to get into recovery and get out of spending emergency money.

In the city of Toronto we're now spending \$100 million, roughly, on emergency shelters and related facilities, and a component of that, about \$65 million or \$66 million, is from the Ontario government budget, the people of Ontario. This is money that is wasted, frankly. It's necessary, but in the long run it is money simply wasted.

If you turn to page 5, back when Anne Golden held her first focus groups she invited a number of people; there was a room full of us who knew something about housing and social policy. She started off saying, "Boy, the causes of homelessness are complex and the solutions are complex." So when I got my time to say something, I said: "I half agree with you. The causes are indeed complex." There are personal things that happen in people's lives that put them at risk of becoming homeless and then if there isn't enough adequate housing around or

they lose their job, enough income, and they can't pay the rent or they need some kind of support services and can't access them, whether it's for mental illness or substance abuse or whatever, yes, they can in today's climate easily become homeless. Every person who is homeless or has been homeless has a personal story, if you will, that is complex. The solutions, though, are not complex, and there are three, as you see on page 5.

One is all homeless people require adequate and appropriate housing they can afford. All homeless people require enough money to live on, income; for example a job, job training, adequate pension or social assistance. Many of the families in the shelters last night were simply there because they lost their jobs, and month after month they became increasingly unable to pay the rent and there they are homeless and phoning the city for help.

Some—remember, only some homeless require support services. There's a claim or a belief among some that 80% of the homeless are mentally ill. Well, that obviously can't be true with all those families. It obviously can't be true with all those children. It is obviously true with some, a minority among all the people who are homeless. Studies show, wherever the studies have been done in North America, that about one third perhaps have some form of mental illness and only a couple per cent have a severe form of mental illness where they are a threat to themselves or to others. Mental illness does not cause homelessness. The majority of people who have a mental illness in Ontario are very well housed. Alcoholism doesn't cause homelessness. The majority of alcoholics in Ontario—some of them are in our best neighbourhoods. They are well housed. Alcoholism by itself does not cause homelessness.

People who are homeless do require housing, enough money to live on, and some of them do require support services. It's very straightforward. It's for a lack of those things that they have now become homeless and those things will get them out of that situation.

We've been arguing for a long time, and will go to the Supreme Court soon, around the issue of homelessness being a serious human rights violation. It's a form of discrimination. This government right now provides nice tax rebates to people who buy a house. First-time buyers get a tax rebate, for example; they can use of their RRSP. We're doing all kinds of things for homeowners in the middle class, yet there are people in our community in need and very little is being done.

1410

In December 1998, a UN human rights committee reviewed Canada's and Ontario's compliance. Each province and the federal government had to submit reports. You see at the bottom of page 5 that the committee stated in its final report that it "is gravely concerned that such a wealthy country as Canada has allowed the problem of homelessness and inadequate housing to grow to such proportions that the mayors of Canada's 10 largest cities have now declared homelessness a national disaster."

In March of last year, the TDRC submitted another report to the other. There are two main human rights committees at the United Nations, and the second one deals with civil and political rights. Article 6 is the right to life, the right not to be killed, the right not to die under unnatural circumstances. Indeed the committee, hearing evidence, stated: "The committee is concerned that homelessness has led to serious health problems and even to death. The committee recommends that the state party"—Canada and the provinces—"take positive measures required by article 6 to address this serious problem."

We need to do the right thing. We need to know that everyone in the city, everyone in the province, everyone in the country is watching what happens here out of this Legislature, out of our city halls and so on.

Moving along, I want to refer to page 8, about the homelessness disaster in Ontario. As people are noting, it is not limited to Toronto. You heard just now about the 300,000 Ontario households paying over 50% on rent. That doesn't mean these people will automatically become homeless, by no means; it means they are at grave risk of becoming homeless, as we all know. Something happens to their monthly budget, for a couple of months in a row they can't pay the rent, and they're in serious trouble.

I mention Barrie in one of the dot points there. Last year I spoke to a group that the United Way in Barrie had organized. They had a couple of hundred homeless people. They never had homeless people before. There would be the odd one or two alcoholics on the streets in the 1950s and 1960s, that kind of thing, but these days it's a big, serious problem in the large places and the small places throughout the province of Ontario.

Point 8, on page 8, is "Homelessness is Houselessness." The one thing all homeless people have in common is that they are unhoused. That's undeniable.

On page 9, you have some discussion about why the private market can't build. It's pretty obvious why it can't build. Look at the bottom of page 9, the 1996 census. These are household income trends in Toronto. They happen to be somewhat similar for Ontario and the country, that is, that owners have, on average, double the income of renters. Think about that. This was not always the case. Back in the 1960s—I've done the analysis over the last four or five decades—there was about a 20% gap. Homeowners had more money than renters, yes, by about 20% in the 1960s, and now the disparity has grown that much. How can you have one land market, one housing market, and two pools of customers? One pool of customers has half the available income of the other pool. So those with the higher income will always outbid—and there are developers and builders who will always outbid any potential developer or builder for the rental sector. It's just natural. If you get a piece of land and it can be a condo or it can be a rental building, the one that's going to make money today is the condo. Remember, until the early 1970s, we did not have condominiums in Canada or Ontario. It required special legislation that came around in the early 1970s in this province.

Things have changed dramatically, and this explains why the private market cannot build for the 50% of households in the city of Toronto and the 37% of households in Ontario who are renters. The market cannot provide for them.

If you go to page 11 now, "Rental Housing Construction in Toronto," you'll see a 15-year run—and this is from Canada Mortgage and Housing Corp, in fact from the Housing Again study—rental starts as a percentage of total starts. I was a bit surprised it was as high as it was in the past. It fluctuates, of course, because during a recession the ownership sector is flat and during a boom time there's lots of construction in the ownership sector. What has kept the percentage of rental starts up through the years has been the social housing starts. There have never been very many private rental starts over the last 15 years, and now, as you know, we have zero social housing starts.

Look at 1993. That's a peak year. There were in fact 5,834 social housing starts. The federal government ceased new commitments after 1993 for social housing and then the Ontario government did so after 1995. So look at that. In a recession, that represented 81% of all the housing starts. You can say, "Well, that costs us a lot of money." Right, but there are lots of benefits—the jobs, the taxes and so on—that came to the economy and the city, not to mention the housing that is needed. This is needed affordable housing that was provided during that period. Now that number is down to zero, the private rental starts are down to 114, and this province is not doing anything for the 50% of the city's residents who are renters or for the 37% of the province's households who are renters.

Moving along to page 12, the severity of homelessness in our province is directly due to public policy decisions. There is no question about that. Why did we have so many homeless people in the 1990s? We had some in the 1980s but there were so many more in the 1990s, and some of the numbers I've shown you now explain that: because of the income disparity, real incomes of renters in this province are not rising, they're falling; the cost of housing is going up, it's not going down; and there's very little new affordable rental housing construction taking place. That's on the housing side.

On the income side, I've mentioned the falling incomes, there are the lower levels of social assistance and other benefits and there are clearly inadequate support services for people who have a mental illness, who are substance abusers and so on.

We were told in 1995 that the private sector would build the rental housing we need. We now have five years' experience, data for four of the years, and you'll see we've averaged 857 rental units. This is in the province now. In the entire province of Ontario, 47% of Canada, we have been getting 850 units per year of rental housing on average over these last four years. This is a dramatic fall—these are private sector numbers now, not social housing—from the four previous years, and that was even less than the three years previous to that. Those

numbers show that they can't build. I'm not pointing any fingers here; it's just not economical for the reasons I just told you. They can't build. They will not be building rental housing in the numbers they used to build because of the dynamics that I've outlined.

We have to say this isn't working, that's all. We tried it and it isn't working and we need to supply the housing that people need.

You'll see in the bottom line on page 12, I added up the number of social housing units provided in the province in the 1988-94 period. That's 40,000 units the federal government and the provincial government provided here. If you want to ask, when an agency has a homeless family who's getting evicted, where they go these days, we don't know. Where did they go in 1988 or 1989-90? There were places to go. There were long waiting lists but they weren't as long and there was new housing coming on stream and there were places for people in dire need to go. That's an annual average of about 5,700 units per year.

On page 13, I simply remind us of the 17,000 social housing units that were approved for development but were prevented from being developed when the government changed in 1995. At the current rate of private rental housing starts, to replace just those 17,000 units, nothing else, that's 20 years. If the private sector manages to keep at the same pace of 850, as it has for the past four years, we're looking for 20 years to see 17,000 private sector rental starts.

1420

I'm just reminding all of us here, this is the province of Ontario. We are here and you represent all people of the province, including the 37% of the households that are renters. You might have seen the buttons and all of that called the One Per Cent Solution. This is simply a way to summarize that. Indeed, housing support services and enough money to live on for the very tiny minority of people in our province who are destitute in that way is expensive. It's a lot of money to do this, but in the perspective of the budget of this province and the budget of the federal government, it's nothing. It's about 1% more spending phased in over a three- or four-year period.

You see on page 14 the summary. This is very affordable. From the finance department we were able to calculate that this works out to be about 50 cents per taxpayer per day. That's per taxpayer, not per person. So this is a modest amount and it's essentially catch-up spending. It's not asking too much in the end.

I'm here on behalf of the TDRC to ask that you make homelessness in the province a budget priority. If you do something it's not going to put any big dent in the budget or in the deficit to begin making real progress here. We should stop pointing fingers. There's a role for this province to play in housing supply, in more support services and in adequate incomes for those who are at the very bottom of the income scale. Indeed, there is equally a role for the federal government to play and to be much more responsible than they've been right now. But it's both of you.

The city of Toronto has done quite well. We are the first to criticize the city. We have things we want the city to do. They've implemented much but not all of what Anne Golden asked for, but they have just so many resources, as you all know.

I'll be happy to answer any questions.

The Chair: We'll start with the government side and we have about two minutes per caucus.

Mr Arnott: Thank you very much for your presentation. I want you to know the government takes very seriously the recommendations that you've put forward today, and I'm sure the thorough analysis that you've done will be given all due consideration as this report is coming forward.

It's no surprise to any of us here that you're bringing these ideas to the committee. Homelessness is a severe problem in the city of Toronto and, as you've said, it's not just a Toronto problem. There are a number of other communities that are experiencing problems.

You've provided a bit of anecdotal evidence relating to the problems outside the city of Toronto. I just wondered if you could tell us a little bit more and expand perhaps a little bit more on that.

Dr Hulchanski: In Toronto we see people on the streets but they don't really represent what homelessness is; they're the people we see. The vast majority of homeless people we don't see or we don't think are homeless when they walk by us. It's the real down-and-out-looking ones. These dynamics that have caused this in the city are causing it in smaller ways in other parts of the province. Even though vacancy rates might be 5% or 10% in some community, you still need that \$300 or \$400 or \$500 to rent that unit in that community someplace else in the province, and they don't have that money. So the same dynamics apply—I guess that's the answer—throughout the province and indeed throughout the country, even though each province is a little bit different throughout the country.

Mr Arnott: Our previous presentation from Mr Redway, whom I'm sure you know and you're probably working with—

Dr Hulchanski: Yes.

Mr Arnott: —indicated that the province of Ontario is spending about \$100 million on the homelessness problem this year. You've said that the total amount of expenditure, including the federal and municipal governments, is \$358 million. You're suggesting that everyone double their contribution?

Dr Hulchanski: Yes. The spending on housing by all three levels of government—I don't know if there's a typo in there—is \$3.5 billion, in that neighbourhood of \$3.5 billion; \$2 billion is the feds and then the rest is the provinces and the localities. This is a StatsCan three-government calculation. So it's \$3.5 billion.

Mr Arnott: There was a decimal missing.

Dr Hulchanski: Yes.

Mr Kwinter: Mr Hulchanski, I was really impressed with your presentation. I'd just like your response to almost a communications problem. The mayor of Toronto, when he became mayor, when he heard about

homelessness, immediately said there were no homeless in North York, because his perception of homeless were street people. I think that is a common perception. The media often go out on homeless cruises. They tour the downtown of the city of Toronto to look at people sitting on grates or sleeping in the subway stations, things of that kind.

I think that you really brought home the issue that these are houseless people and they're not the visible people that you see on the streets. Is that being communicated? Is that being addressed so that people understand what the issue is that we're talking about?

Dr Hulchanski: I think so. What little I see of polls, Canadians and Ontarians understand the issue much better than they used to understand it. But we all have our prejudices and our knowledge and lack of knowledge, and there are many people who still believe it is those few people you see on the streets—they are the face, they are homelessness—and it's not correct, as you say.

Mr Caplan: I have two comments. One is further to Mr Arnott's comments. He would know that Peterborough would be the homeless capital, if you calculated it on a per capita basis, of Ontario. In Sarnia, which you would be familiar with, Mr Chair, the mayor has commissioned his own report. Thunder Bay, Barrie, Hamilton—this is a problem across this great province, and a shame really.

One comment that I've heard government members make is this \$100-million figure. Perhaps Dr Hulchanski would want to comment on the fact that this has been monies which were previously federal housing dollars simply being recycled by the province and being announced as somehow a new initiative, yet they were already monies within the housing portfolio, if you will, that have just been transferred from one government to another.

Dr Hulchanski: Any money well spent—that's the catch—is helpful. But we're frank, we're talking \$3.5 billion roughly for the entire nation.

Mr Caplan: Of new money?

Dr Hulchanski: Of all three levels of government, phased in over four or five years; 50 cents per taxpayer, per day, roughly, yes.

Mr Caplan: Not recycled dollars?

The Chair: With that, Mr Caplan, I must move to Mr Christopherson.

Mr Christopherson: Thank you, Chair. You always make that sound like such a chore.

The Chair: I couldn't see you there for a moment; I thought you'd disappeared.

Mr Christopherson: Thank you very much for your presentation. You probably noticed that the room went very quiet at a couple of points in your presentation. We've had people come and make presentations on homelessness, but you've taken a unique perspective and offered up a couple of new ways of looking at it, and that's very helpful.

I can't help but be drawn to where you acknowledged that between 1988 and 1994 there were over 40,000 social housing units built. Since this government's taken

power there has been zero. I've referred to the time that I think is one of the most shameful moments, and this government was really proud of it, where the Minister of Housing stood up and said with great glee and his chest all puffed up, "This government is proud to announce that we're getting out of the business of housing." That may sound good to some folks who were doing some number crunching somewhere, if that's the only thing that matters, but clearly to thousands, and growing numbers of thousands, of Ontarians this is a disastrous announcement.

You noted that our NDP government had 17,000 rental units on the books ready to go. This government cancelled them. They've done nothing since then. What I wanted to ask you was that if we continue down this road—bearing in mind we did that at a time when the economy was contracting, the worst recession since the 1930s. Yet we were still identifying the socially progressive parts of our economy. They're not just charitable giveaways; they're important parts of building and continuing to build the kind of Ontario that we have historically been.

I want to ask you, if during these booming times the government continues on this track of doing absolutely nothing, where are we going to be five, 10 years out, particularly if the prediction from virtually every economist shows itself, and that is that there will be a recession—not a question of if, but when? Can you give us a sense of what Ontario's going to look like from a housing perspective if we just continue unabated on the road we're going?

Dr Hulchanski: It's a pretty simple picture, with near-zero starts. We're a great province: natural birth rates, migration from elsewhere in Canada and migration from overseas into Ontario. With zero rental housing starts it's just going to cause this problem to become much worse. It's becoming noticeably worse year by year in every part of the province. If we don't turn it around, it'll just be that much more. I don't have any good words; I'm not a poet or something to try to put in some better words, but we can all use our imaginations to see what's happening out there. This is no way for our society to operate, for our kids to walk around the streets and see what they see on the streets and to read what they read in the papers and all that.

The Chair: On behalf of the committee, thank you very much for your presentation.

Dr Hulchanski: If I may, my daughter has offered to submit some artwork, if the finance minister should need it this year. He could give me a call.

The Chair: We'll pass on the comment. Thank you.

1430

ONTARIO FEDERATION OF AGRICULTURE

The Chair: Our next presenters are from the Ontario Federation of Agriculture. Could you please step forward, gentlemen, and state your names for the record.

Mr Jack Wilkinson: I am Jack Wilkinson, president of the Ontario Federation of Agriculture.

Mr Ron Bonnett: My name is Ron Bonnett, vice-president of the Ontario Federation of Agriculture.

Mr Bill Mailloux: My name is Bill Mailloux, vice-president of the Ontario Federation of Agriculture.

The Chair: Welcome, gentlemen. You have 30 minutes.

Mr Wilkinson: Thank you very much. We are going to just summarize our document. As long as it is put into the record, that is our main concern. I am sure your staff and others will read it at leisure, but we want to leave some time for questions, so we'll try to be brief. I will make a few opening comments, and then both Ron and Bill will make some as well.

The point we are trying to raise attention to, going into this pre-budget consultation, is that in a number of areas in Ontario, in the rural community and obviously in the farm community, there have been numerous places where there have been cutbacks at both the provincial and federal levels, whether it be in schools, transportation, infrastructure, health care or farm income and farm support programs through the Ministry of Agriculture, Food and Rural Affairs. When you have this cumulative impact, people in the countryside are starting to feel like they are under attack, effectively, by the non-farm population.

As you see on page 4 of the presentation, we have seen a substantial shrinking of provincial government support for agriculture. In general terms, when we deal with real dollars over the last decade, in 1991-92 we had \$453 million. When we move to 1998-99, we were down to \$296 million. So we have seen a substantial cut. During that same period, expenditures at the provincial government level doubled in all other areas. When you take percentages of what the Ministry of Agriculture, Food and Rural Affairs has, which includes farm income support programs, a host of programs, we have decreased from 1.18% of Ontario government spending in 1987-88 to 0.49% in 1998-99, 10 years later.

It doesn't matter how you slice it. If you're dealing with real dollars, we have seen a substantial withdrawal of resources. That is a major concern to us. It's occurring at exactly the same time when farm incomes have dropped—and Bill Mailloux will be touching on that—because of a collapse in world commodity prices. It is being seen at a time when we think there needs to be an injection and a reinvestment of capital in rural Ontario. In areas like training, technology transfer, where Ontario agricultural has for many years been a leader both in this country and around the world, adopting new technologies—soil conservation, zero tillage and a host of things that have been very well received, intensive pest management systems which have reduced our pesticide use by 50% in the horticulture and tree food industry over the last 10 years, environmental farm plans. All these initiatives came about to a great extent by having a system within OMAFRA to help us adopt new technol-

ogy, help us learn the new skills and do face-to-face training with farmers.

What is happening, as I am sure you are all aware, is that the closure of all those offices is now taking place, and they will be closed effective April 1. We have had a situation where federal dollars to be used for training have been cut off because of federal-provincial agreements. We have had no money put forward on the rural side for agriculture. We have no environmental program for agriculture. That is federal money which has been cut back as well. So our view—and we'll happily answer questions—is that there is lots of room to step back, take a look at what has happened in rural Ontario and see some areas, see some of our numbers. We think you will agree that there is now an opportunity to reinvest, because we can't continue to carry this on our shoulders without some support. Thank you.

Mr Mailloux: One of the areas we'd like this committee to consider that would certainly benefit farmers—one of the biggest issues, maybe not the biggest but certainly an important issue—is the farm safety nets that are designed to help farmers. The real farm income is down about 50% in the last 10 years, and the net government support has gone down as well for safety nets, by 70% in the last 10 years.

We're recommending that the government of Ontario, as far as safety nets go, immediately adopt the improvements to the AIDA program that was announced by the federal government on November 4. There are some items in there that need to be changed. We'd like to eliminate the link to the net income stabilization account, allow applicants to value their inventories as they do for income tax purposes, eliminate the 18% holdback of program payments and treat farms with major changes in scale or type of operation the same as new farms. Those are just a few that were announced, and there are some other things that we'd like to see changed that would improve that program.

We also recommend that Ontario accelerate the renegotiations of the safety net framework. They're currently attempting to design a safety net program for the future. The agreement they have now with the federal government expires, and we need to work at developing a new program. Some of the things in Ontario that we believe should be in that are NISA, the net income stabilization account program; crop insurance and companion programs such as market revenue and self-directed risk management; as well as farm income disaster programs. Recently, the federal government committed \$500 million to a disaster program for the next two years, and we're certainly hoping that Ontario will ante up its share of the 60-40 cost-share.

Another area where we've been looking for some more changes—your government has done some work on it—is the retail sales tax. We're recommending that the government of Ontario exempt at source all farm business purchases from the Retail Sales Tax Act. An effective exemption requires, we feel, three changes. One is to expand the list to farm inputs exempted from RST to

parallel those exempted under the GST. Also, we would like to change the question that's asked when an exemption is requested. The current question that's asked is, "Is the item to be used entirely for farm purposes?" We believe that if the item is at least 50% used for farm purposes, it could as well be exempt. An at-point-of-purchase exemption would certainly simplify things for farmers. It's believed that in Ontario the cost of the retail sales tax to farmers is about \$37 million. This is quite a bit higher than other jurisdictions, and some of these changes would certainly leave more money in farmers' hands.

Another area is the value-added farming activities. Over the past years, we've attempted to value-add on our farm to get more money for our product, and at the same time we seem to be moving into getting a burden with property tax changes. There are some farmers in our area who have seen their assessment change from about \$600 to an industrial rate of \$9,000. We believe we need to sit down and have a serious look at this because it is costing farmers some money. We'd like to sit down and establish what is agriculture-value-added and what is commercial.

I think that's all I had, Ron.

Mr Bonnett: Maybe I'll head into some of the issues under the heading of resource management and training. There's quite a detailed explanation in the document about what we're asking for. Under the environmental side, the healthy futures program that was announced addressed a number of the water quality issues, but I think that program might need some tweaking to make it work really well. One of the things we're asking is that there be some recognition of the investments that farmers are already making in such things as environmental farm plans, best management practices and the type of work that is considered as part of the contribution for the leveraging of funds for healthy futures.

One of the other things, on examining the healthy futures program, is that it's based on forming partnerships, and there could be a case where it's very easy for a farmer within a watershed to form a partnership with a close municipality. They would be part of a partnership and be eligible for funding, but someone who might be far removed from that municipality wouldn't be able to find a partner to get the same kind of support for an environmental initiative and we want the government to take the look at that and see if there are ways to amend the program details so that those types of issues would be addressed.

1440

One of the other things I wanted to briefly touch on—I know there was some examination of the whole tile drainage loan program and the municipal drain program being considered by the Ministry of Agriculture and Food. One of the questions on the tile drainage loan program was whether there was a need for this program. We actually undertook to contact most of our counties and get some feedback on it. It is still widely utilized by a lot of farmers, and in some areas the banks aren't actually even into loaning for tiles. It depends where you are. In

some areas they will consider it; in some areas they won't. So we're still recommending that it be left intact. One of the things we're looking at is having the annual maximum increased to \$30,000 from the present \$20,000. It hasn't been changed for some time. The other aspect was the funding that the government provides to municipalities for municipal drain programs. I guess the main concern is that there's quite a variation from year to year. We're recommending that there be a multi-year budget put in place so that the unused funds from one year could be rolled into the next year, to try to even out the government expenditures on that. We still feel it's a very important program to have in place.

I guess some of the other items are detailed a little bit more later on. I'd like to leave as much time for questions as possible. I just wanted to touch on the heading of rural infrastructure. Under that heading there are things like health care, schools, child care, transportation and telecommunications. Our recommendations under those topic areas are based on the fact that rural Ontario is not the same as urban Ontario, and there are specific differences that have to be addressed. We've tried to take a look at it and come forward with some specific recommendations as to how to make sure rural residents have access to the same types of things that are somewhat taken for granted by people in urban areas.

The Chair: We have approximately five minutes for each caucus. I'll start with the official opposition.

Mrs Pupatello: Thanks so much for your presentation. I was looking for all the positive comments over the last few years that farmers might have to say about OMAFRA specifically. We remember with interest raising the issue of the closure of field offices in the House not too long ago. Immediately after that question period, the minister sent out a very quick press release saying that this in fact was not the case. We, however, had the data about exactly how many field offices were closing and didn't feel that those offices could be replaced by 1-800 numbers, given the circumstances that farmers find when they need them, in particular in emergency situations. The minister has been on record several times as saying that there has been no government that has been as helpful to farmers as the current government. I'd like your comment on that statement, and as well the importance of the field offices.

Mr Wilkinson: As far as who's the most helpful, I'm fairly young so I wouldn't be able to reach back very far to get into that. Let's put it this way: We see that there's a time period here where clearly more help is needed. When you have a 50% decrease in farm income with a forecast of another 30% next year, where we have the income situation really at a crisis level in many commodities and we see an absolute shrinking of the support to infrastructure on many fronts, it's clear in our mind—we do accept the notion that you need balanced budgets and whatnot and that you have to be reasonable in the expenditure, but our view is we've taken the hits very hard in the farm community on all fronts. There is now an opportunity close at hand where there can be

some reinvestment put back in, and we've identified a host of areas where we'd like to see that happen.

The OMAFRA closures in our view is a very serious issue. I think we're willing to accept that there may be cheaper ways to deliver some services and maybe all the bricks and mortar that is currently out there isn't necessary into the future. But we think it's critically important that there still be face-to-face delivery of service. The OMAFRA extension work has been very useful in the past for us adopting new technology, and in fact has been behind many things that happened in a community—more than just the agriculture, but on many fronts: education with consumers; the list of what those offices did is endless. They're going to be desperately missed, and we're going to keep working as an organization with the minister to find some compromise position where we maintain the face-to-face service at some level and in fact are able to keep delivering the extension work into the future. We've met with him once on that issue; we're going to continue to meet and it's a big issue for our county organizations. We hope we'll find a positive resolution to this.

Mrs Pupatello: I guess the big item was that the OFA was not consulted before that announcement of the closure was made. The OFA has historically had a good working relationship with all governments. I suppose it's considered to be some kind of a joke that the best cash crop for a farmer is housing. What that means is that so many are turning over their lands to other types of development.

How are the farmers going to respond in the short term to the changes in land assessment for taxation? I don't know how most of the farmers I know deal with thousands of dollars' increase in property tax in one year. What are you doing now to deal with those issues that I think, Bill, you raised in your discussion?

Mr Mailloux: As far as some of the value-added, there's been a little bit of work done in some of the storage facilities for vegetables and things like that, but the ones we've been getting phone calls on now are family farms that have been processing poultry and things like that. They're increasing dramatically to an industrial rate, and it has quite an effect. We tend to think that if it's a facility where you're processing your own product and doing things to get it to market, it really is a farm activity.

Mr Phillips: The government has kind of already announced its priorities over the next three to four years, the big priorities. The big one is tax cuts. They've announced about \$5 billion of tax cuts, and you know that will proceed. That \$5 billion is annualized, by the way. It's a \$5-billion tax cut every year. It's \$2 billion on debt reduction, that's about \$500 million a year, and about \$2.5 billion on health care. The rest of the spending, they've said they will save one cent for every dollar spent, so they're going to cut the other spending by one cent. They've already told us and they ran on that basis of what they're going to do, so that would be the expectation. That doesn't mean they can't move money

around within the remaining budgets, but it's going to be a challenge, perhaps.

Another comment and then a question. I appreciate your comments on the social infrastructure at the back of your report. It's extremely important that we continue to recognize the diversity in Ontario. You mentioned child care, health care, education and one or two other things.

My question is this. So much of the resources that you rely on come jointly from federal and provincial governments. That's always a challenge, I think, because governments perhaps of any political stripe find it convenient to point the finger at the other level of government. You have a couple of recommendations in here of where perhaps this committee can be encouraging a more rapid response by the provincial government when the federal government acts, and perhaps vice versa. Is that a substantial part of your concern over the next couple of years, when you see the revenue coming out of the farm community under a lot of threat?

Mr Wilkinson: Just as an example, on the delay for delivering of cheques on the farm income support programs, we're still trying to get money into people's hands for back as far as 1998. We're moving into spring planting for the year 2000 and, as Bill indicated, there's no umbrella agreement signed. Normally there would be five-year MOUs. They're trying to get a seven-year memorandum. They haven't even got that sorted out. Farmers are literally going into the spring planting with no assurance of any sort of long-term commitment. Granted, those programs are not going to stop immediately, because they tend to carry on even though an agreement hasn't been signed, but it's not the type of security that people want to have in a time period in particular where you've had just an absolute collapse in many areas of commodity prices.

If you're not getting it out of the marketplace, and the income support programs that were put in place to react to a market collapse have got delays and delays, when they come, bankers sometimes aren't very sympathetic. So a program that's announced by the federal minister, as an example, on November 4, that people will have their cheques by Christmas—those cheques still aren't cut and probably won't be cut for a number of weeks. We're not blaming one or the other level of government. All we're insisting on is, would they please act like government and, in fact, adults and get into the room and negotiate an agreement, because the money has been cleared by both levels of government and has gone through cabinet for approval of expenditures, and move those resources into the hands of the farm families that need that. Anywhere we can get assistance on that, on fed-provincial agreements to act expeditiously, we would really appreciate that support.

Mr Phillips: We heard the same comment yesterday from another group. Thank you.

1450

Mr Christopherson: Thank you for your presentation. Good to see you all again. I would just state that I recently attended a local briefing session of the OFA, and

for all the time that I was regional councillor in Hamilton-Wentworth, I have to say that I wasn't aware, until it was put right in front of me, of the huge percentage of our local economy that was driven by farming. Absolutely amazing.

When you think of Hamilton, you tend to think of steel mills and now diversified into health training and health provision, education, etc, but farming is still a huge percentage. It's not just out in the rural areas or out in the parts of the province that we sort of say, geographically, that's farmland, but within a 15-minute drive or less of downtown Hamilton, within the region of Hamilton-Wentworth and within the boundaries of the new city—notwithstanding the goofy way Flamborough is being treated by this government—there's still a huge part of our economy that is farmland.

I have to say I pay a whole lot more attention when I'm thinking home business and not just province-wide business. When the stuff is put right in front of you and you look at the number of jobs, the dollars that are flowed, the amount of money that's brought into the community as a result, there's an incredible amount of money. I agree with my colleagues in the official opposition that for a government who likes to stand up, basically leaving the impression that they are the only ones that care about farmers, when you take a look at the stats, it's quite surprising.

The chart that you have on page 9 shows, starting 1989-90, 1990-91, virtually the same, in around \$53 million for agri-food research by the government. We dropped down during the depths of the recession again, the NDP government, but in the depths of the recession there was a recognition that you can't just pull the rug out from underneath the farming community. It dropped, but it only dropped to \$48 million.

Now, in the biggest boom that we've ever had in North America, we see the most dramatic drop is under this government during the economic surge, down to about \$36 million. Once again, the stats and reality are so different from what the government, and particularly the minister, stand up in the House and say.

What I want to ask you is—and it's going to put you on the spot—being that you run it as a business and this government argues that the trade-offs have been beneficial and fair to virtually everyone in terms of what it costs to implement the tax cut, the wonderful tax cut that's supposed to solve everybody's problems, being business people, has this been a trade-off for you that has worked? In other words, whatever has happened at the end of the day when you look at filling out taxes versus what has happened to your industry, the erosion of provincial support, has this been a fair trade-off?

I'm not trying to twist you into condemning the tax cuts, but I am trying to get a sense from you, because we do get it from health care providers and education providers that everybody likes a tax cut, but this trade-off has not been worth it. I wonder how you feel about that trade-off within the farming community.

Mr Wilkinson: There are a number of places to do tax cuts, and obviously one is on the personal income tax side. One area we're advocating where it would be a real benefit to the farm community is the retail sales tax.

Mr Christopherson: Sales tax, yes.

Mr Wilkinson: It was never intended to be on food. There was never an intent to have a tax on food in this country or in this province. The retail sales tax has been changed somewhat. There have been improvements. To that end, the government of the day needs credit for it. We want it to continue to clean off all those items as applied to agriculture and make them permanent at source point.

When it comes to cuts on the personal income tax, it's always nice to make money before an income tax cut. It gives you a lot of benefit. If you've seen your net income drop from \$1.5 billion to a forecast next year of \$300 million, the benefit of that tax cut is marginalized by the drop in income, not that there's aren't some individuals making money farming still; there are.

Mr Christopherson: The poor feel much the same way.

Mr Wilkinson: Our view is, we're not going to comment. We're not the government. We're just a lobby organization, even though for the most important community in the country, I might add, in the second-biggest industry, agriculture. Our view is we need some reinvestment. We think the government at some point can probably slow down a little bit on the other front. It may not be easy to convince them, but if you add these up, we're talking reinvestment—not too many cuts, other than on the tax side.

Mr Christopherson: Hear, hear.

Mr Bonnett: Tied into what you were saying, though, is the whole focus of this, that we want some investment in the agricultural industry, and part of the thing that we're doing in the local county areas is trying to get those economic impact studies that you referred to. I think there's been a lack of recognition as to how many jobs are created and how much impact it has on the economy.

Mr Christopherson: Absolutely.

Mr Bonnett: When we're looking at this we're not looking at the issue of tax cut per se; what we're looking at is there's got to be a reallocation to invest in an industry that can actually generate economic activity for the province.

The Chair: Thank you very much, Mr Christopherson.

Mr Wilkinson: Could I just make one very short point?

The Chair: Sure.

Mr Wilkinson: It's important to look at the slip in OMAFRA government expenditures that occurred overall, a growth of government expenditure from \$30 billion to \$60 billion, and at that time period us dropping from 1.15 to 0.49. It wouldn't be fair now to come in and argue and say everybody should pay equally. We view that we've had a downhill slide for a number of years and

have not seen the growth that many other sectors have seen over a time period. So when it comes to reductions, our point of view would be we already gave our pint of blood at the office; there's no need to come around to get another one. In fact, we would like some infusion here.

We can't speak on behalf of the other part of the economy, but we think all the indicators are saying that rural Ontario is in serious problems between the combination of loss of revenue and some of these reductions on all fronts. When there's a cut in health care, it hurts rural Ontario the worst. When there's a cut in schools, it hurts rural Ontario the worst. When you deregulate Hydro, it hurts us the worst. Telephone: It hurts us the worst. On all those fronts we lose a bigger percentage service because we're now not an effective area for big business to move in to make the money on. When you get wiped on all of those to start with and then you have OMAFRA budget cuts, and then you have your income out of the marketplace drop by 75%, this starts to get to be fairly serious very quickly, as you can well imagine.

The Chair: Government side.

Mr Galt: Thanks for your presentation and the very thoughtful package that has been put together here. Your original comment there to Mrs Pupatello—a great politician you should maybe consider to have in the role that you're in. I recognize you when we were on the road in consultation for the intensive farm/nutrient management programs—tremendous information that your organization provided at the various stops, and also to the rural/agricultural community for being so polite at those meetings and bringing forth just excellent information.

I'm thrilled sitting here to find that Mr Christopherson—I think he has been on the road to Damascus—has been converted. It's just wonderful that you've seen the light, the importance of agriculture.

The reference to the farm that went from some \$600 or so in taxes up to some \$9,000, I think it should be noted my understanding is that farm was roughly in the neighbourhood of 90 to 100 acres and has a poultry processing plant on it that processes some 15,000 chickens per week. Therefore, if we went to actual value assessment, which the previous governments did not have the intestinal fortitude to take a chance and do, which is about fairness, it becomes very difficult, and I have some empathy for those assessors who are trying to sort out what is a value-added for the farmers versus what is industrial/commercial. The same in my area with apple storage facilities and in other areas of vegetable storage and so on. It's difficult for assessors, and hopefully some of that can be worked out.

Maybe this poultry processing plant handles all the poultry from that farm and should be considered in that sort of area. But you move from town to country, how does an assessor go about that? I think it's something that should be addressed, don't take me wrong.

Just a couple of comments on some of the things that have happened. One of the things that you people lobbied very strongly on was the farm tax rebate, having to apply for it and getting it back. Our government has made the

move to separate that out where you don't pay it. You pay 25% on your farm. The other 75% comes through the community reinvestment fund. The opposition would like to say it's all downloaded and the local townships are not getting that 75%, when in fact they definitely are.

1500

On the retail sales tax, for example, on the building materials, which was brought in on an annual basis, which you people of course appreciated for the building materials for farms, and that was later converted to permanency, and some of the other areas in the retail sales tax. I appreciate the comment you're making here in item number 5 at the bottom of the first page, that there be producer ID cards. Why go through the exercise of paying it and then getting it back? It's creating work for somebody but that is not true work; in my estimation that's a bit of wasted time.

I wanted to comment on the budget, which got down in 1995-96 to \$263 million, and that's outside of the actual farm tax rebate, the farm tax rebate that year being \$157 million. That budget has moved from \$263 million—and I'm quoting right from the actual budget—to the plan this year to spend \$365 million. That's an increase of \$103 million. Depending on where you look at the roundoff, it may be \$102 million; I won't debate that. That's approximately a 40% increase, the largest increase of any of the ministries in the Ontario government. I just point that out while we're here.

We've talked about farm safety nets and the concern there. Certainly the ministry has been working very hard, along with the Premier and the Honourable Ernie Hardeman, to get fair safety net money from the federal government. I haven't been around the ministry much in the last few days, but my understanding is that we're now winning and getting 23%, similar to the 23%—you're shaking your head so I guess I'm right on that. We were at 16%, all the feds would flow in here.

You commented on some of the whole farm relief, that kind of thing. I think our government did exceptionally well with the ice storm that occurred a couple of years ago in eastern Ontario. The money was flowing in within weeks; similarly that year with the hail damage that occurred in my area, and then the problem that we had as it related to the plummeting hog prices at the end of the year and the resulting rolling this out.

The Chair: Mr Galt, I must point out that you've run out of time.

Mr Galt: I was getting around to the question.

The Chair: On behalf of the committee, gentlemen, thank you very much.

CO-OPERATIVE HOUSING FEDERATION OF CANADA

The Chair: Michael Shapcott, manager of government relations, Co-operative Housing Federation of Canada, you have a half-hour for presentation and questions and answers. The question-and-answer period

is split among the three parties equally. Thank you for coming.

Ms Joyce Morris: Thank you very much for having us. We appreciate the opportunity to make a pre-budget submission.

The Chair: Would you just put your name in for the record.

Ms Morris: I'm sorry. I'll get there.

On behalf of the 125,000 men, women and children living in non-profit housing co-operatives in Ontario, my name is Joyce Morris and I'm the president of the Ontario council of the Co-operative Housing Federation of Canada. With me today is Michael Shapcott, manager of government relations and communications for the Ontario region. If he's looking surprised, it's because I got his title right.

I live in the New Generation Co-operative in Kitchener and the 30 families who live there find our co-op a really great place to call home. If you were to visit, and every member of this committee is more than welcome to drop by—I'll put the coffee on—you'd think that our co-op looks like a simple but pleasant single-family neighbourhood, well maintained by residents who obviously are proud of their homes.

The 550 co-ops in almost every part of Ontario come in lots of different shapes and sizes—high-rises, townhouses, single-family dwellings—but there is one thing that makes every one of them special: The members who live in the co-op own and manage their homes.

Housing co-ops, much like farm co-ops, credit unions and our other co-op partners, are based on the self-help principle. We work together to operate efficiently as small community-based businesses, yet we also take very seriously our responsibility to provide good-quality homes to low- and moderate-income people. You'll find more information about our housing co-ops in our written submission.

As the government of Ontario prepares for the year 2000 budget, co-op members from all parts of the province have an important message for this committee: Please do not ignore the serious housing crisis facing Ontario. The government has a responsibility to take action to ensure that everyone has a decent place to call home.

We have two concerns we'd like to present to the committee today. The province must ensure, first, that there is enough new affordable housing to meet the needs of all Ontarians; and second, that the province's 250,000 co-op and non-profit households are protected and their ability to manage their home is enhanced as the government moves ahead with its plans to transfer housing administration to the municipalities.

Mr Michael Shapcott: Almost immediately after the election of 1995, the government of Ontario launched into a bold experiment: It stopped funding new affordable housing and cancelled about 17,000 co-op and non-profit housing projects that had been approved for development. The government said they would rely on the private sector to deliver new rental housing in the

future. The province's actions came about two years after the federal government also cancelled its funding for new affordable housing. So we had a situation where for the first time in 50 years both senior levels of government in Ontario had abandoned their responsibility to develop affordable housing for lower-income households.

There's no major country in the world where senior levels of government have taken this kind of action. The impact in terms of ending new development was not felt immediately, however, because a number of affordable housing projects that had been approved in previous years were under construction in the pipeline. So for about two or three years after the 1995 decision by the Harris government there were a small number of new projects in the pipeline. However, construction began to dwindle, even as the demand for new affordable housing was growing. By 1999, the province was mired deep in a full-blown housing crisis, the worst one we have seen in decades—no new housing, yet plenty of new demand.

Our co-op members knew that the rental market was getting worse. We wanted to find out exactly how bad things really were so that we could make the case to government for a major reinvestment in housing. So late in 1998, the Co-operative Housing Federation of Canada—Ontario Region joined with the Ontario Non-Profit Housing Association to co-sponsor a major rental housing research project called *Where's Home?* Earlier today, Mr Redway, deputant on behalf of Putting Housing Back on the Public Agenda, offered copies of that study to you.

The first part of that study was released in May 1999. It took an in-depth look at the rental market in eight communities. Part 2, which was co-sponsored by our Housing Again partners, brought in an additional 13 communities. So, taken together, *Where's Home?* provides the most comprehensive and current overview of rental housing in Ontario and it makes for grim reading. You'll find background information on *Where's Home?* in our written submission, and we'd be pleased to provide you with copies if you didn't get a copy earlier.

We think that you'll find it's worth taking the time to discover the real story on rental housing in Ontario. I'd like to cover just a couple of highlights. First of all, rental vacancy rates are dropping in almost all parts of the province. Second, rents are rising faster than the rate of inflation in most parts of the province. Tenant household incomes are stagnant or dropping in most parts of the province. There is little new private rental housing being built and no new non-profit housing being built. More than 3,300 private rent supplement agreements were lost as agreements were cancelled by the province in the years leading up to 1998, and more than 13,400 private rental units were lost as they were converted to condominium or demolished in the years up to 1998.

Ms Morris: The bottom line, ladies and gentlemen: Tenants in Ontario are caught in a double bind. First, they're being squeezed between rising rents and stagnant or falling incomes. Second, the need for rental housing is growing while the supply is in fact collapsing.

Our study reported some shocking findings. More than 615,000 tenant households, almost half of all tenants in Ontario, have affordability problems. More than 300,000 tenant households, about one in four tenants in Ontario, are on the brink of homelessness.

All the trends show that the situation is getting worse. A 1997 report by the Canada Mortgage and Housing Corp projected that Ontario will need 80,000 new rental units in the five years leading up to the year 2001, but the private sector will likely only be able to deliver 6,000 units, leaving the province with a shortfall of 74,000 rental units.

1510

Perhaps the most startling finding of our study, and the one that was carried in a flood of news reports in every part of our province, was this: The housing crisis is not confined to Toronto, Ottawa, or a couple of big centres. In fact, the percentage of tenant households at risk of homelessness is higher in Sudbury, Kingston, Peterborough and Barrie than it is in Toronto.

Homelessness is the most visible sign of the growing housing crisis. Our study documented an overwhelming increase in homelessness in Ontario in recent years. In the eight communities that were part of the original study, there were almost 1.5 million bed nights in official homeless shelters. There were another 20,000 unofficial bed nights with people sleeping on mats on the floor in makeshift shelters through Out of the Cold programs. Barrie recorded a 1,235% increase in shelter services in the four years leading up to 1998. Peterborough reported a 98% increase, while Peel region had a 41% increase.

There is a human dimension behind these numbers. Kenneth Eckenswiler, a 65-year-old homeless man, froze to death in Centennial Gardens in St Catharines just this last January 11. Dr Stephen Hwang, assistant professor of medicine and an epidemiologist at the F.K. Morrow Inner City Health Research Unit at our own St Michael's Hospital in Toronto, did a detailed study of 9,000 homeless men from 1995 to 1997. He identified more than 200 deaths. That's about three deaths every two weeks. Since homeless men represent only about half of those using shelters in Toronto, and since there are more homeless people now than there were when his study ended in 1997, Dr Hwang has since concluded that the numbers would be expected to be higher today.

Please take a moment to think about the hundreds of homeless deaths, the thousands of homeless people and the hundreds of thousands of tenant households in this province on the brink of homelessness. Is there a single member of this committee who is not alarmed? Is there a single member of this committee who is not prepared to take action to end this scourge and the homeless crisis?

Mr Shapcott: What about the high hopes of the provincial government that the private sector would step into the breach once government funding of affordable housing was ended? We know the private sector has built almost no new housing in recent years. In fact, the downward trend started way back in the early 1970s, well before rent controls were first introduced in Ontario, and

it has been going down ever since then. In fact, not only is the private sector not building new affordable rental housing, but it's important to know that Ontario is actually losing a growing amount of the private stock that we currently have.

The November 1999 numbers from Canada Mortgage and Housing Corp show that in Hamilton there were 574 fewer private rental units in 1999 than in 1998. Over the same period, Ottawa lost 520 private units, while Kitchener-Waterloo, Mr Arnott's area, lost 330 units. In these communities, the private rental vacancy rate was very low and rents were rising rapidly. Private market theory would suggest developers would want to build new homes to meet the huge demand and to recover rents. But the private sector didn't build.

Why not? Private developer Mitchell Cohen, in a national television commentary, said: "When our governments abandoned their housing programs several years ago, they hoped that we, the developers, would fill the gap. We haven't, because it just doesn't work. Without government participation, affordable rental housing won't be built because it doesn't make any business sense. Rents that would be affordable won't cover expenses. And that means the communities we will build, like this one, will be condominiums—far out of reach for the people who need housing the most."

Tridel vice-president Jim Ritchie has been quoted as saying, "With today's costs and the price of land, I don't know how you make affordable suites in the downtown core of the city."

Greg Lampert, a private consultant who was hired by the Toronto Homelessness Action Task Force and has been hired on many occasions by the Ontario Ministry of Municipal Affairs and Housing, estimated that it would cost about \$130,000 to build a high-rise unit in Toronto and that a landlord would require a monthly "economic" rent of at least \$1,300 to cover financing and operating costs and make a reasonable return on investment. But low and even moderate income households in Toronto can only afford market rents of \$350 to \$750 a month.

The Ontario government has recognized the gap between market rent and economic rents and does offer modest incentives, such as tax breaks, some reduced land prices and less red tape, to private developers to entice them to build affordable housing. Still, almost no private developers are building. Again to Mr Arnott's part of the province, Kitchener-Waterloo developer Lyle Hallman said in a recent interview, "The incentives by the province are not enough."

In addition to the tragic cost in human lives, we also want to say to this committee that homelessness is not cheap for taxpayers. The city of Toronto will spend a total of \$96 million this year for emergency hostel services; the province will contribute about \$63 million of that amount. Taxpayers, municipal and provincial, are paying an average of \$57 per night per homeless person or, for a family of four, \$228 a night. That family of four, for \$220 a night, is likely to be crammed into a motel room—one room, no privacy, no amenities. Year after

year, that is going to increase as the cost of renting rooms and other expenses rise.

In 1995, the Co-operative Housing Federation conducted a study of the finances of a representative sample of our co-op projects across the province. We found that the daily subsidy for a co-op unit occupied by a low-income household ranged from \$25 to \$43 a day, which is just a fraction of the cost of keeping that same family in a tiny motel room. I want you to keep in mind that one important feature of provincial co-op housing programs is that every year the amount of subsidy decreases until it reaches zero and then there's a partial repayment from the co-op back to the government. While it costs more every year for the government to provide barely adequate shelter for a homeless family, it costs a lot less to provide a decent, affordable home in a non-profit co-op and that amount drops every year.

Our submission to this committee is, it's not hard to see where there's value for taxpayer's money. Co-op housing and other forms of non-profit housing are a bargain compared with welfare motels.

Ms Morris: Although the provincial government announced that it was "getting out of the housing business" in 1995, we want to acknowledge that the province has in fact started to get back into housing. In March 1999, the province announced funding for a limited supportive housing program and also for shelter subsidies. We think this announcement, although meagre when set against the need so clearly demonstrated in our study, *Where's Home?*, shows a willingness by the province to respond to this growing crisis. We want to encourage the province to take even more bold steps in terms of new funding for new affordable housing.

Municipalities, through their national organization, the Federation of Canadian Municipalities, have called on federal and provincial governments to work with them in developing a new national housing strategy. One proposal calls for housing to be a component of a new municipal infrastructure program with the costs to be shared among all three levels of government. Several municipalities, including Ottawa, London and Toronto, have already created housing funds. The federal government took the first step with its December 17 homelessness strategy. At the same time, federal housing minister Alfonso Gagliano said that a national housing program would be the "next step." He said he would be consulting with his provincial counterparts.

Now it's the time for the province to contribute its fair share towards housing solutions.

Co-op members across Ontario support the One Per Cent Solution, a national campaign that calls on all levels of government to double the amount of money they've been spending on housing and related services. The government of Ontario was spending about \$800 million to support social housing in the province before it transferred that cost to the municipalities. This would be an ideal target for the province to aim for in terms of new spending. This would allow the province to fund at least 10,000 new and renovated affordable housing units annually.

1520

Mr Shapcott: Our concern is not simply for new housing for those who desperately need it, but also to protect our existing stock of affordable housing, so we'd like to make a few comments about that as well.

Currently, there are about a quarter of a million social housing units under provincial administration. Some were developed under provincial programs, some under federal programs and the rest under shared-cost federal-provincial programs. The province is now poised to transfer administration of these homes to newly created municipal bodies across the province.

Most of the households are in community-based non-profits or government-owned public housing projects, but about 21,000 are in housing co-operatives. There are a variety of provincial housing programs with differing rules for differing forms of social housing, but every housing co-op has a legal operating agreement with the government of Ontario. These contracts run for 35 years and they set out the roles and responsibilities of the government and the housing providers.

In 1998, the province started billing municipalities roughly \$800 million for the cost of provincial social housing. It was a controversial decision and, quite frankly, it's hard to find anyone who supported the plan. The Association of Municipalities of Ontario didn't support it, co-op and non-profit housing providers opposed the plan, and even Premier Mike Harris and the then housing minister, Al Leach, candidly acknowledged in speeches to municipal leaders that there were serious policy concerns with their transfer plan. Minister Leach even offered that in time the province might reverse its decision if the finances of the province permitted. However, back in 1998, the province's main concern was to balance off other fiscal measures, mainly the transfer up of municipal education spending.

Just as municipal leaders, co-op and non-profit housing providers—all the key housing stakeholders in Ontario—agreed that the provincial-municipal plan was ill-conceived, there was a virtual unanimity that if the province intended to push ahead with the plan it must work closely with stakeholders to reform programs before the transfer takes place to ensure social housing providers are on a more businesslike footing. Everyone has agreed the programs need to be fixed up before administration is transferred. So several years ago the province started a reform process, which was stalled in November 1998.

Last November the province signed a social housing transfer deal with the federal government that took on the responsibility for a number of units developed under federal programs. For the federally administered housing stock, plus co-ops and other social housing already under provincial administration, the signing of the federal-provincial social housing transfer agreement suddenly thrust the provincial-municipal transfer into high gear.

Ms Morris: The current plans of the government call for a program review, which has been stalled for 15 months, to be completed by the end of February. Soon

after, we have been told, the cabinet will consider legislation to transfer the administration to municipalities. We understand that the legislation will replace current programs and legal operating agreements with new contracts. Frankly, our members are concerned that the government's haste to complete the transfer to municipalities could create serious problems in social housing programs that will affect the financial viability of a quarter of a million homes in Ontario, gentlemen and ladies—mine included.

It makes sense to get the review process right the first time. I'm sure I don't have to tell the members of this committee that it is more expensive in every sense of the word to correct problems months or even years down the line. The best way to ensure the process produces the best results is to ensure that the key stakeholders are working together as full partners in the reform process. Housing co-ops believe that it may be possible to reach consensus on the key issues facing the program review, but not in the pressure cooker atmosphere that's been created by the provincial government. Slow down just a bit and get it right. Save taxpayers and co-op housing members a load of money by preventing costly mistakes. Save municipalities and co-ops from administrative tangles that are inevitable if the process is rushed and flawed changes are imposed by the government.

We have two additional financial concerns regarding the provincial-municipal transfer. First, all the stakeholders—co-op members and municipalities—are concerned about the future liability for capital spending that municipalities and co-ops will be required to share as part of the social housing transfer. For years, going back to previous governments, short-sighted officials have cut the annual spending that goes into capital reserves. These reserves, which build up gradually over years, are used to repair or replace major items such as furnaces, major appliances and roofs. Cutting a few dollars to save some money today simply shifts the liability to the future, when housing providers, and municipalities, will face big bills for capital projects. The choice then will be increasing debt, rapidly increasing rents or perhaps cutting spending on parks to pay for capital repairs in social housing.

The current government, after considerable pressure from housing providers, replaced some of the additional reserves that were held back. But there is still a huge shortfall. In addition, there is a big maintenance backlog in some of the oldest social housing in the province, government-run public housing. This housing has been administered by the province for decades, but arrears in capital spending have been building up. There is no detailed technical audit that pinpoints the unfunded capital liability that the province is forcing municipalities to accept as part of the social housing transfer. A study late last year by Peel region estimated the amount at perhaps \$1 billion across the province. It is difficult to determine the exact figure. The provincial government needs to follow through on the recommendation of its own social housing committee, which has called for a

detailed study to review the adequacy of social housing reserves and top them up if necessary. Our members also believe that the province should support the initiative of co-op and non-profit sector groups to put in place an investment program to improve the financial performance of the reserve funds and ensure better planning.

Mr Shapcott: Mr Chairman, our final financial concern relates to the provincial-municipal transfer and the details of the federal-provincial social housing transfer. Unlike the province, which is transferring both the cost of social housing along with the administration, the federal government will continue to pay hundreds of millions of dollars annually to the province for more than three decades after it has transferred administration. So the federal government has built two sweeteners into the federal-provincial social housing agreement. The first was a one-time-only signing bonus, as it is called, of \$58 million, to be paid by Ottawa to the province. To date, the province has announced that it will allocate \$30 million of this amount to provide additional capital reserves, a small but welcome move. But there has been no announcement about the remaining \$28 million.

The second financial bonus to the province comes from the calculation of federal housing payments to the province. In simple terms, this year the federal government will be paying the province \$525 million to fund federal social housing in Ontario, but the actual cost of administering that housing is only about \$440 million. Ontario gets a bonus of \$85 million, of which the province, to date, has said it will spend about \$50 million on a rental supplement program that has been announced twice but not yet implemented. The plans for the remaining \$35 million are unclear. But when you add up the surpluses over the next three decades, the total amounts to hundreds of millions of dollars.

The provincial government must make a clear commitment that every dollar, every penny from the federal government as part of the federal-provincial social housing agreement should flow directly into affordable housing. We'd like to end by suggesting that the province start the ball rolling by matching, dollar for dollar, the surplus funds in the federal-provincial agreement and using that to create a new provincial fund to create desperately needed new affordable housing. Of course, as we have suggested, the province needs to go much further in committing substantial dollars to ease the housing crisis that is sweeping our province.

The Vice-Chair (Mr Doug Galt): Thanks very much for your presentation. We now have time for about one minute per caucus, starting with the third party.

Mr Christopherson: Thank you very much for your presentation. One minute is not a long time.

Ms Morris: We'll talk fast.

Mr Christopherson: I can do that—talk fast and loud—as my colleagues well know.

I just want to underscore everything you've said. I was very active in affordable housing in my municipal days, heading up a regional task force on affordable housing. I followed it closely as an important issue when we were

part of government. And if that is not enough, my mother is active in the women's co-op, off Queenston Road in Hamilton. That alone would be enough to keep me interested in co-ops.

Mr Shapcott: One of the leaders of our movement.

Ms Morris: She'll keep you in line.

Mr Christopherson: Absolutely. She loves her co-op. In fact, everyone there—the women's co-op has made such an incredible difference to all their lives. She has been the president of the co-op, she was active in the local federation, so she is into it both as a resident and as an activist in her own right. She is so concerned about this downloading and what it means, and you've touched on it.

I'll underscore the fact that housing being downloaded to municipalities is a disaster. It's going to be up against the increased costs that are now going to be downloaded onto municipalities for public transit. There are environmental issues, there are road repair issues, there are just a whole host of issues. Quite frankly, when anybody who is a community activist looks at the list of things that municipalities are now responsible for, there are so many items that are going to be competing. A good friend of mine, Alderman Andrea Horwath, is on there and is facing these kinds of horrible choices that we shouldn't have to make at the municipal level. We ought to be keeping them here at the provincial level.

1530

The Vice-Chair: I've been very generous—

Mr Christopherson: Yes, you were.

The Vice-Chair: I've given you a lot of extra time, and I'm sure your mother appreciates your comments too.

Mr Christopherson: Be careful. Don't tangle with my mom.

The Vice-Chair: I was being very complimentary.

Mr Christopherson: I appreciate your discretion.

The Vice-Chair: We now go to the government.

Mr Arnott: On behalf of the government, thank you very much for your presentation. You've provided a unique perspective. There have been quite a number of presentations today on the housing issue, on the homelessness issue, but your point of view has been unique, representing the co-operative movement. I think it's going to be very helpful to the government.

You've identified quite a number of issues and we have certainly some trends that are not going in the right direction. More has to be done to encourage the private sector to build affordable housing. I certainly agree and I think that the role the co-operative housing movement plays in the overall mix is very important too. I don't have any questions but I hope to continue the dialogue.

Mrs Morris: I know you're in our neighbourhood quite often, so let me know when you're down. I'll put the coffee pot on.

Mr Arnott: I'd like to do that. Thank you.

The Vice-Chair: Thank you very much for being so concise. To the Official Opposition.

Mr Caplan: First of all, thank you for your presentation. I thought it was excellent. My question is simply this: The federal-provincial deal provided that any savings that arose—that \$525 million the federal government is funding and the \$440 million that the provincial government is spending—of that \$85 million, everything was supposed to be invested in housing; \$50 million is and \$35 million is not. In your opinion, is the provincial government in breach of their own agreement that they've made with the federal government?

Mr Shapcott: At this point, there are a couple of problems. We don't know, the government hasn't announced, what they're going to do with certain amounts of that money. Clearly, if the money is going to somehow dribble back into general revenues, that is a breach of the federal-provincial agreement, and it's one we'll certainly take to Ottawa and ask them to hold the province accountable.

The other thing is that a significant chunk of that, the \$50 million, is for a program that the government has announced, which may or may not be a useful program but it hasn't yet been implemented. It was announced first in March of last year and then again in November—so until there's an actual program and the real dollars are there.

But if I could also just say, and I know the time is very tight Mr Caplan, a real concern of our organization is that the government might be tempted to use the federal dollars to replace provincial housing dollars, reducing its spending, and by a little bit of financial sleight of hand, will simply move federal dollars in to replace provincial dollars. That's not the spirit of the federal-provincial agreement; it was that federal dollars will be used in addition to provincial dollars already committed. So we'll be vigilant to make sure that doesn't happen.

The Vice-Chair: Thank you, Mr Caplan, for your question and thank you, Michael Shapcott and Joyce Morris, for your presentation. We much appreciated your coming forward.

ONTARIO UNDERGRADUATE STUDENT ALLIANCE

The Vice-Chair: Our next presenter is the Ontario Undergraduate Student Alliance, and Ryan Parks is the executive director. You have 30 minutes for your total presentation and questions and answers, and the question-and-answer time is divided three ways among the three parties.

Mr Ryan Parks: On behalf of the Ontario Undergraduate Student Alliance, I'd like to thank the members of the committee for this opportunity to speak with you today.

OUSA represents 130,000 full- and part-time undergraduate and professional students in Ontario. I will attempt to be as brief as possible with my presentation to allow time for discussion and questions. I do have packages for the members. Included in these handouts is the full text of my presentation, a background on our

organization, an executive summary on our most recent tuition research paper and then two fact sheets, one on student debt and one on the general costs of a university education.

In today's information-based economy, education is critical to both the prosperity of the individual and of the nation. The maintenance of an accessible post-secondary education system that is of high quality is vital if Ontario is to continue to remain internationally competitive.

With this in mind, we believe that the Ontario government must do two things. First, it must adequately fund our universities to allow these centres of knowledge and innovation to keep step with competitors from other parts of Canada and other areas of the world. Second, our government must also support the university students who, through diligent academic study and hard work, are attempting to better both their lives and the circumstances of their communities.

Ontario's students are Ontario's future. We should ensure that financial pressures and constraints do not discourage young people from pursuing a university education. As the Honourable Lieutenant Governor reassured us in this year's throne speech, our current government is committed to ensuring that every qualified and motivated student finds a spot at an Ontario university. This is an ambitious promise and one that Ontario students wholeheartedly support. Unfortunately, at this time, it seems as if government policy may be at odds with government intentions.

Currently Ontario students face two major barriers to a university education: tuition fees and student debt. What the committee will not hear from me today—and I think it's important that I point this out—is that student tuition should be free or that students should abdicate their personal responsibility when it comes to repaying their student loans. What I hope the committee will understand, however, is that the students' requests remain reasonable in an increasingly unreasonable post-secondary environment.

Tuition in this province has been on the rise for quite some time now and certainly no Ontario political party has had a monopoly on tuition increases. During the course of the 1990s, the average undergraduate tuition has risen 134.2%, and although we remain cautiously optimistic, it seems that this trend will continue for the immediate future. In real dollars, tuition has gone from \$1,600 in the 1990-91 academic year to \$3,872, on average, in this past academic year. Moreover, with the recent deregulation of tuition fees for all professional and graduate programs and for certain undergraduate programs—for example, computer science, engineering, and certain business programs—the cost of tuition in general has risen astronomically. As an example of this, the tuition fees for many medical programs have jumped over 100% in a single year. The year that took place was 1997-98.

These changes have been difficult for students. I should point out that students agree that they receive personal benefit and value from their university educa-

tion. As a result, we support the concept of shared responsibility. Students are not asking for a free ride but are willing to work hard for their education. It would seem important that this concept of shared responsibility be defined. Well, the Ontario government has done just that. In their recent election literature they state that an appropriate target for student contribution is 35% of the total cost of the student's education. Like that target or not, we have reached it, and at many Ontario universities, we have far surpassed it. In fact, at some universities, such as the University of Western Ontario two years ago, students were contributing 50% to the general operating revenue through their tuition fees. Of course, this number has since been reduced, not because Western has reduced tuition fees but because they have found a way to increase other sources of income. Therein is an example of the problem with percentages. Currently the University of Windsor students contribute 41% of the school's revenue through tuition fees, and Wilfrid Laurier is nearing the 50% mark of student contribution. Clearly, this is a campaign commitment that students would like to see kept by our government.

Tuition levels have been increasing for a long time, yet the effects of these increases on accessibility remain unknown. In recent history there has not been a comprehensive assessment of the effects of rising education costs on the accessibility of a university education. After more than 10 years of continual and significant tuition increases, students believe that it is the government's responsibility to conduct such a study.

Currently the only measure the ministry uses to determine level of accessibility at our universities is that of increasing applications and enrolment. We would assert that this is more a measure of institutional capacity versus shifting demographic patterns than a true measure of accessibility. The question is not whether the universities are filling their classroom seats; the question is, are the universities filling those seats with the same types of people?

If tuition and ancillary fees are increasing dramatically, yet wages for summer jobs and part-time jobs are not, the amount of money that students need to borrow to fund their education will necessarily increase, and increase it has. In 1991 the average amount of an undergraduate student loan was \$8,675, but by 1996 the average student debt resulting from the same four-year course of study was \$21,000. That's an increase of 41% over a five-year period. It is estimated that this figure has reached \$25,000 in 1998 and stands at \$28,000 for the current academic year.

1540

The alarming concern is that there appears to be no secure ceiling on this increasing debt. To put this \$28,000 figure in context, the average undergraduate debt upon completion of four years of school at Yale University, one of the United States' most expensive and exclusive universities, is C\$18,000.

We are calling on our young graduates to shoulder a very heavy burden. Based on these estimates, a young

university-educated couple would start their lives together with \$50,000 in debt. To then expect this young family to be active participants in the Ontario economy is, to say the least, optimistic. With an existing \$50,000 debt looming, it becomes increasingly difficult to take on additional responsibilities of a mortgage, a car loan, or the costs associated with starting a family. In this instance, we see a significant transfer of debt: the transfer of public debt to private debt. High personal debts can be equally harmful to the economy.

One thing I should point out before I go on is that when I refer to this sample young family, these are students who have studied for four years in an undergraduate program at an Ontario university. I know there are instances, and they are often talked about, where a student, after two years of a certain program, is \$27,000 in debt, or after a four-year degree is \$50,000 or \$60,000 in debt. What we are trying to hit on here is the average student who goes in for a four-year degree in science or in political science or history and comes out from that with these levels of debt.

By advocating for, at the very least, a maintenance of the current tuition levels, we are not suggesting that Ontario's universities have adequate resources to provide high-quality programming. I was a member of the University of Western Ontario's board of governors in 1995-96 when the first wave of cuts hit the post-secondary sector, and the results were devastating. Ontario's universities have been forced to seek other sources of revenue, and the results, as I have mentioned above, have not been good for students. Students have shouldered nearly the entire burden of government cuts to universities.

Although Ontario has the largest population and the greatest wealth of all provinces in Canada, Ontario's universities receive the least amount of public per capita funding. Ontario now ranks 10th out of 10 provinces in per capita government funding of post-secondary education. The results have been crumbling infrastructure and significant reductions in faculty, staff and resources.

Students acknowledge the federal government's responsibility to provide transfer payments to the provinces and know that these have been culled significantly in previous years, but it is our position that the provincial governments cannot rely on this factor as justification for post-secondary education's underfunding. Despite transfer payments being cut to all provinces across the board, Ontario and Quebec are the only provinces that have reduced public education spending in the last three years. It is our opinion that despite fiscal constraints, all provincial governments set funding priorities. In Ontario and Quebec during the last three years, the priority, to this point in time, has not been post-secondary education.

Since 1978, universities' annual operating grants have dropped from close to \$10,000 per full-time student to \$6,000 per full-time student. Although all public sectors have received cuts in some manner, universities have been hardest hit, and over a much longer period of time.

Ontario's spending on universities has dropped from 5.9% to 3.4% of total provincial budget.

We are asking the government to reverse this unfortunate situation and restore government funding to the national average. To put this in dollar terms, it would equate to an increase of \$50 per Ontarian. This would seem a sound investment in the continued growth of our economy and education of our society.

Rising tuition levels, student debt, and less than adequate levels of funding are jeopardizing our post-secondary education system. The knowledge and graduates that it produces make up the cornerstone of an innovative and competitive Ontario economy that our government often refers to. Students realize that governments make difficult choices, and we remain available at all times to discuss the effects of these choices. Education is an investment, not an expense. A highly skilled and critically thinking workforce is what Ontario needs, and a sound education policy will deliver it.

We recommend to the committee that Ontario's tuition fees be held at their current levels until such time as a comprehensive study on accessibility to university education can be completed. Upon the completion of this study, if we indeed find that tuition increases have not affected accessibility and we're still seeing the same cross-section of socio-economic backgrounds, then possibly it's time to reassess the current tuition situation, and possibly at that time tuitions could increase further.

Second, we recommend that the government seek out ways to assist in reducing students' debt loads so that students, upon graduation, can more readily participate as full economic actors in the Ontario economy. One of the ways that Ontario can do this is to follow through with the pledge of former Minister of Education David Johnson to reinvest the full savings from the Canadian Millennium Scholarship fund to the best interests of students. For those of you who are unaware, the millennium fund money that comes from the millennium foundation interacts with the loan forgiveness that the Ontario government allows students in such a way that it decreases the overall benefit from both programs for many students. The estimated cost savings to be realized for this, on an annual basis over the 10 years of the foundation's term, is \$50 million a year. We're hoping that \$50 million a year will be directly re-routed, as promised by Minister Johnson, back into the student assistance plan for the best interests of Ontario students.

Third, we recommend that the government increase per capita public funding of post-secondary education to the national average, at the very least, in order to level the playing field for innovation and knowledge between Ontario and the rest of the country and other areas of the world.

Ultimately, all of us in this room want the same thing. We all want a strong social fabric and a vibrant economy. How we ensure this future, as always, is up for debate. We believe education is an investment, and one that no society should forgo.

I'd like to thank the members of the committee for their time. I'm happy to entertain any questions or to

participate in any discussion that arises out of my presentation.

The Vice-Chair: Thank you very much for your presentation. We have about four minutes for each caucus, beginning with the government caucus.

Mrs Molinari: Thank you very much for your presentation. You've highlighted a number of areas here that we agree with; that is, the importance of education for the benefit of society as a whole, for the students and for everyone.

I'm happy to see that you agree with education being a shared responsibility, because we also believe that's the case, that the tuition fee should be shared between the student, the province and, a small portion, the private sector. As to the percentage of that shared responsibility, with our plan and commitment, that will be back to the 35% that it was. You have some figures here from specific universities, and I'm going to ask you how you got those figures and do a little more research on whether that is in fact true, because our commitment is that the student contribution is 35%.

You also talked about some of the deregulated programs and those where the tuition has risen. Those are, I'm sure you would agree, programs that cost more. They are very expensive programs. In order to provide an excellent program, obviously the cost is more and it needs to be taken into account.

I'm going to go through all my questions and then give you an opportunity to respond.

You talk about the increase in enrolment, and in fact enrolment is increasing 3.8% at the university level and 0.6% at the college level. So we're happy to see that the university and college education enrolment is increasing. But you asked, and I quote from your comments: "[The] question is, are the universities filling those seats with the same type of people?" I'll ask you to comment on that in just a few minutes.

You comment that Ontario now ranks 10th in the provinces. If you take into account all of the resources that are available for student assistance—our student assistance program grant, Aiming for the Top, and a number of other programs that we've introduced to assist student aid—you'll find that we actually rank fourth of all the provinces.

The spending for education has in fact increased. It was \$350 billion last year and it's going up to \$400 billion this year. Also, with the introduction of the SuperBuild Growth Fund, \$742 million is being devoted to providing more pupil places.

With the expectation of the expanded enrolment that's coming in the year 2003, we're working together with the colleges and universities to provide student placements for them. It's a partnership. Again, that as well is shared responsibility, where the post-secondary institutions are going to have to look at the way they are servicing and offering the programs and see if they can find ways to be more efficient in doing that. We're looking forward to that.

1550

I want to assure you that the funding that has come through the millennium fund we are committed to reinvesting into education. The previous minister stated that, and this minister as well has stated that. So all of the savings that would be generated from that are in fact being reinvested in education. I just wanted to confirm that with you.

The Ontario student assistance program has also increased by 30%, so there is more money to be given to students for student assistance in the way of debt. It's important to point out that more than 50% of students graduate without a student debt. For those who do have the debt, the province has introduced a number of programs that will alleviate some of that. One of them is the grant that's provided for students who exceed \$7,000, so no student will incur more than a \$7,000 debt per year. Anything above that is a grant by the provincial government to assist students.

I will stop now and hopefully there's time—

The Chair: You've gone 15 seconds over. The official opposition.

Mr Phillips: That's the second time we've had an expert witness and the government gives a speech instead of giving you a chance to respond to their questions. Maybe you can respond to some of her questions in response to my comments.

There's no secret that the government has cut its support, its grants, to colleges and universities, and they have told the students to make it up. The government's election document said: "Students aren't paying enough. They're only paying 25% of the cost. We want to get it up to 35%." They've been successful in that, and I think it violates what we had been promised, that it wouldn't go above 35%. I wouldn't mind your answering the question you were asked, or at least responding to the speech you heard. That would be my first question.

Related to that are the challenges that if you say, "Freeze tuition," and the government says, "We're going to have the students pay 35%," if that's frozen they'll say, "We'll freeze our spending, then." I wouldn't mind you responding to those two things.

Mr Parks: Absolutely. The figures at Western essentially are that when you take general tuition revenues and you do a simple calculation with overall operating revenues, it was approximately 50% of the operating revenues of the core budget that could be seen as tuition revenues. The numbers from Laurier and Windsor I received from the student unions there, and the calculations were done in much the same way—a simple equation, including subtraction. That is essentially how I got the 35%.

One very important thing that I would like to address, and I hope I'm not going too far off here, is that the government has introduced the Ontario student opportunity grant program, which is essentially a loan-forgiveness program with a different name. Yes, it has introduced that so no student will have a debt over \$7,000 per year, but it introduced it by eliminating the existing loan-forgiveness program that wouldn't have allowed a

student to have a debt over \$6,000 a year. So in fact the threshold has moved from \$6,000 to \$7,000 a year with the introduction of the Ontario student opportunity grant program, costing students who are arguably in highest need \$4,000 over the course of their university degree. The program was introduced, but it was a reduction in the existing loan forgiveness, and as a result the government has saved significant amounts of money, in excess of \$50 million.

When I talked to Helmut Zisser, the head of the student support branch, and said "Why don't we reinvest that \$50 million to bring the threshold back down to \$6,000?" He said: "Oh, no. That would be way more than all the millennium money we get in a year from the millennium foundation, which would lead me to believe it would be approximately \$100 million. So that is essentially one of the very important things that I did want to address.

Did I address adequately your questions?

Mr Phillips: Maybe I could throw another question at you as well. You mention in here—one of the concerns I have is that young people who come from families of modest means will look ahead and say: "I don't think I can run the risk of going to post-secondary." I had a young lady, a single parent, in to see me the other day. She went back to school as everybody said she should, got her BA. She owes \$66,000 now. That's a mountain. So she will tell her friends that. My concern is, as I say—I think you refer to it in here—the need for study, but have you any evidence that that may be starting to occur yet?

Mr Parks: Certainly debt aversion is a significant problem. One of the difficulties when saying, "Yes, enrolment is up, so therefore everything must be fine as far as accessibility"—the problem is, how many students are deciding ahead of time, "Wait a minute, I'm not even going to university"? We have to recognize that the university-age demographic is starting to grow now, and we'll see the peak of that just after the double cohort comes through in the next three or four years. So we have an increasing number of university age students. If the number of spots at universities stay the same but the number of university-age students is increasing, obviously there's going to be pressure on the spots and you're going to fill all those seats, but our exact concern is, how many students are debt-averse and saying "I can't even imagine having a \$15,000 debt; I can't imagine having a \$20,000 debt." That's one of the concerns and that's one of the things we'd like to see a comprehensive study done on.

There have been some studies done by the Centre for Social Concern at York University which talk a little bit about the types of students that are actually in university now, compared to before tuition deregulation. If I can find it quickly, I can respond.

The Chair: With that, your time has expired, Mr Phillips. I'll go to Mr Christopherson.

Mr Christopherson: That's actually perfect. Continue to look, because that was going to be my question, so if you can find it there—keep looking.

While you're doing that: The government continually, when we raise the issue of debt aversion and that people are shying away from going to university not because they don't have the ability but because they don't have the money, points to enrolments, so this piece of information—if you can't find it right now, I know the NDP would certainly be very interested in receiving that, if you could send it to my office. If there are others who want it, they can request it. I didn't realize there were actual studies. But my experience is similar to Gerry Phillips's. The anecdotal evidence I get in my constituency office is that there are people who have the ability who would—it would improve their lives, make a major contribution to our economy and our society, but they can't or won't go, based on that debt. They just don't have the money. Particularly people who may be a little older, and have responsibilities in life—when you add an existing mortgage and other kinds of things and finagle your finances to free up one, if there are two partners, it just stops them cold. So if you've got anything there—

Mr Parks: I did find it. It's actually in a longer version of our tuition paper. You have the executive summary in front of you. A study at York University found that a number of students from families earning less than \$20,000 fell from 17% to 10% between the years of 1991 and 1994. That is referenced as written by a man named Carey. The name of the article is "Fees Threaten U of Elite." I can certainly forward this to all the interested parties around the table.

Mr Christopherson: If you would, and if they're doing anything beyond that—because of course there were rising tuitions during that time; there was also a major recession. People didn't have the job security at all to feel comfortable going forward. This is a key thing. If the government's answer is going to be "Enrolments are up"—and studies are starting to show us that there's a shifting dynamic in terms of who, particularly demographically, socioeconomically, meaning there are fewer poor people—we've got a serious, serious problem, because it means that what the government would have called fearmongering is exactly the case. The ability of people who have the skills, the wherewithal, the commitment and the dedication to go to university are not, because of dollars, and it's not supposed to be that way in Ontario. It's never been that way before and it shouldn't be. If we lose that, then how much money is it going to take us, six, 10, 15 years from now, to turn that trend around and how many out of the existing younger generation will have missed their opportunity? It's done nothing for them.

1600 This is a huge issue. I would urge you, in your capacity, if you are aware that further studies of this nature are being contemplated or thought about, they're worth their weight in gold for those of us who are advocating for a return to, not an expenditure on universities but, as you put it, a reinvestment back into our post-secondary education system.

We've all noted that we're now tenth out of 10 in terms of per-student funding for post-secondary education, which is terrifying in its reality, but also we've had representatives from the teaching profession at the primary, elementary and secondary levels, and we're also now in North America 55th out of 63; 55th out of 63 jurisdictions across North America is where we rate in terms of per-student expenditures.

When you link that to what people have said about health care, about homelessness, about the affordable housing problems, the lack of environmental protection that exists, we're beginning to see that yes, we've got a booming economy—but by and large it's because of the American economy, and in large part within that because of the auto industry, not because of this government's policies—and yet there's a price to be paid. The government doesn't talk about it and unfortunately it doesn't get a lot of media, but the price to be paid is the issues that you're raising today, and all the people who came before you and will come after, as we scratch the surface of these headlines and find out what's really happening in our communities when we find out where the \$5 billion to \$6 billion per year has come from to pay for this tax cut.

The Chair: That completes your time. On behalf of the committee, thank you very much for your presentation.

CANADA'S RESEARCH-BASED PHARMACEUTICAL COMPANIES

The Chair: Our next presenter is the representative from Canada's Research-Based Pharmaceutical Companies. Could you please step forward. On behalf of the committee, welcome. Could you please state your name for the record.

Mr Murray Elston: I'm Murray Elston, president of Canada's Research-Based Pharmaceutical Companies.

The Chair: You have 30 minutes.

Mr Elston: Is that all? I used to get longer in committees, Mr Chair.

The Chair: We're really managing time here.

Mr Elston: Please give me some direction. I haven't been on this side of the committee Chair, I don't think, ever before.

I appreciate being allowed to make some presentations. Just a note of apology first. We had brought some copies of materials, but we were out, this last little bit, through the magic of communication, trying to make some changes in some errors we spotted. So the materials I have with me are not quite finished yet, but we will give you the finished product when those changes have been made.

I would just like to say that we're pleased to be able to make some presentations today. As you know, our industry has contributed immeasurably to the health and wellbeing of people around the world and of course the people here in Canada as well.

I'm excited to have joined Rx&D, which is the short form for Canada's Research-Based Pharmaceutical Companies, because pharmacology is a leading innovation in medicine. This has not been widely recognized in Canada, yet the new medicines that are available today and those in research and development stand to solve many of our most difficult medical problems. Each of these individual and very personal medical problems are the challenges of the health care system of today.

The recent flu epidemic that has caused overcrowding in ERs across the country could in the future be addressed with effective pharmacological interventions. It is reasonable to predict that one day soon flu will not cause havoc with our lives and our health care system because of the new medicines that our companies have made available today and are making available through research. Through massive company investments over many years, these products are now available to reduce illness and prevent death from flu as well.

This is the story of our industry: discovering innovation to solve health problems for individuals and society.

As a former Minister of Health, I understand the challenge that policymakers have in choosing to invest between so many wonderful and competing and yet worthy needs. I believe that sound public policy must encourage vigorous innovation in all aspects of our society, both in the private and in the public sector.

I will now outline how the research-based pharmaceutical industry is uniquely driving innovation in health care, facilitating health care reform and is poised to be a leading knowledge-based global industry in Canada and particularly in Ontario.

I'd like to begin by giving you some background regarding the association and the industry. Our association is a national one, representing the some 19,600 Canadians who work for about 60 member companies of our association. Each member company shares a single primary objective: to discover new medicines that improve the quality of health care available to every Canadian and help make those products available. Our companies, both large and small, are part of the highly competitive, knowledge-based, global pharmaceutical industry. Many will be surprised to know that 21, or about 35%, of our 60 member companies have head offices in Canada. And yes, we have most of the large multinational companies as members, but we also represent many of our own home-grown biopharmaceutical companies. Thirty-two of the 60 companies that are members of our association have their Canadian headquarters in Ontario and several others maintain a significant presence here. Together, they represent a key part of Ontario's knowledge-based economy.

If I may just go through a few bits of information: They directly employ more than 9,500 people in Ontario; inject \$1.5 billion into the Ontario economy annually; invest more than \$329 million in R&D annually; have invested \$1.56 billion in land, facilities and equipment; have paid more \$136 million in provincial taxes; and

have invested tens of millions to support the biotechnology industry.

The growth in R&D expenditures in all of our member companies has been dramatic in Canada and in Ontario. Our companies are the largest single funders of medical research in Canada, which may surprise many of you. We funded approximately 42% of all such research in the year 1998. Over the past 11 years, Rx&D companies have invested \$2.2 billion in R&D in Ontario, of which \$502 million, nearly 23%, has been spent on conducting basic and clinical research in the province's universities and hospitals.

Some of our recent company investments in Ontario include the following: the announcement of a \$250 million capital investment by AstraZeneca last year for manufacturing facilities in Mississauga; Glaxo Wellcome's \$120 million state-of-the-art integrated research and manufacturing technical centre, which exports half of its output and is an important part of GlaxoWellcome's global works.

As part of an agreement with the government of Ontario in the fall of 1998, our companies committed to investing an additional \$100 million in 1999 and 2000 in R&D and in manufacturing infrastructure. I can tell you that we are poised to deliver on that commitment and at the same time working towards insuring that the government also works towards delivering their commitments in this memorandum of understanding.

That memorandum of understanding between the industry and the government has allowed us to develop ongoing partnerships and to develop a place where we can dialogue. Together we have made substantial progress in the direction of improved health care delivery to the people of Ontario. We've opened discussion on the role and great potential of our industry in the economy and through the joint industry and government participation in the drug utilization advisory committee and the industrial policy committee we're progressing on a number of shared concerns.

I'd like to outline the key opportunities and challenges that we collectively face in reaching our shared potential and our recommendations to begin to address these challenges.

First, the opportunities in health policy: Rx&D supports the direction that the Ontario government is taking to improve the fiscal and economic climate within the province. Policies designed to improve productivity, including cutting taxes, streamlining regulatory processes and targeted reinvestment, have all contributed to the province's much improved economic performance since 1995.

A key part of the government's policy is restructuring Ontario's health care system to eliminate waste, duplication, fraud and mismanagement. The savings achieved through this restructuring are being redirected into front-line patient programs. All of these actions are intended to improve the productivity of the health care system. These are excellent initiatives that will improve how our system is organized and managed, but we need to be more

innovative and use all of the tools available today to achieve greater productivity.

1610

What does improving productivity in health care mean? It means that we can do more with the same resources. As an example, the patients only see a physician once to obtain the correct diagnosis and treatment; or the first treatment provided is the best treatment available and there is no need to try less effective treatments; or the treatment offered results in the best possible outcome for that patient; or patients are able to tolerate treatment better with a new therapy than an older product or find it more convenient to use a newer product so that they are able to realize the therapeutic effect through improved patient compliance.

These examples represent improved productivity in health care. We spend less because we do the right thing the first time. In order to achieve these results, we must invest in new technology.

Although the government has committed to increase health care spending in its budget, moving the expenditure in the year 1999-2000 to \$20.2 billion—which, in my view, is a long way away from the old days, as I may describe them, when I think it was \$8.7 billion—it still appears that this may not be enough to meet the legitimate needs of our aging population, especially if we fail to provide our physicians and nurses with the new ways and means of treating and preventing disease.

The significance of pharmacotherapy as a driver of innovation that, in turn, drives improvement in health care productivity needs to be better understood. This has been recognized by a number of observers, including the Health Services Restructuring Commission and also by Dr Henry Friesen from the Medical Research Council of Canada, who has said:

“The research-based industry has made invaluable contributions in Canada in the past decade.... New therapies which benefit patients worldwide are now being discovered in Canada—new therapies which are causing significant drops in mortality rates and hospitalization for a number of major diseases.”

Unfortunately, in light of these facts, Ontario's health policies continue to support the following elements: the most restrictive provincial formulary in the country; a misunderstanding of the importance of innovation in pharmacology and its role in the improvement of the quality of life in Ontario; the role pharmacology can play in reducing health care system costs through improvement in productivity; and a lack of sufficient involvement in the innovative pharmaceutical industry in the health care policy formulation field. Unless these challenges are addressed, there will continue to be significant and, unfortunately, bad impacts on the health care system in Ontario.

The Ontario drug benefit program was intended to pay for medication for those in need. The plan now lists fewer new innovative products than most other provinces, is among the slowest to make decisions about the listing of a medicine and imposes the most restrictions of

any province on the medications that it does list. Restrictive formulary policies do not reduce cost; in fact, placing what are essentially bureaucratic and administrative barriers to the adoption of innovation in health care can only lead to higher costs for the whole system.

Recently, Glaxo Wellcome, together with an independent consulting firm, members of the medical research community and ICES, the Institute for Clinical Evaluative Sciences, completed a study to determine the factors contributing to the growth of the Ontario drug benefit program from 1992 to 1998. Here are some of the salient features:

Women represent the majority of claimants in all categories. In 1998, 61% of all claimants were over 65 and represented about 74% of the costs. There have been significant deliberate policy changes that have contributed to the growth of these programs, including (1) the introduction of the Trillium program, (2) changes to mental health policy, and (3) a transfer of health care from hospitals to the home.

The result of these policy changes is that there has not been substantial growth in the total number of claimants over this period, but the mix of people has changed to those who require more intensive treatments. For example, cardiovascular treatments accounted for 38% of total drug benefit costs in 1998 and cardiovascular treatments accounted for almost half of the increase in the drug benefit program total cost from 1992 to 1998. These medicines have obviously increased lifespan and are essential to keeping people out of the hospital.

Finally, the report also shows how innovative pharmaceutical therapy has facilitated the long-standing Ministry of Health policy to shift care from institutions to the community. Serious mental illness is but one example of how innovative pharmacology has allowed patients to leave hospitals, which, in turn, has allowed these hospitals to be closed or consolidated in Ontario.

Let me, because of time, skip to perhaps enumerating some of my recommendations and when the full presentation is finished, we'll deliver it to the members, but let me just go through the recommendations so that we have some time for questions.

Here are some recommendations around health policy. First, we suggest that the government do the following:

(1) Establish a health policy which promotes prompt and efficient adoption of innovation in order to take full advantage of available technology to improve productivity in the health care system.

(2) Require the Ministry to Health to allocate additional budget, not on the basis of historical base budget adjustments but on the basis of investing in innovation to drive improved productivity. Ontario's drug programs must be funded so that innovative pharmacology is adopted as efficiently and effectively as possible.

(3) Promote the development of an integrated health system.

(4) Include the innovative pharmaceutical industry in health care policy development.

We would love to be a part of the discussions that lead us to make sure that we can formulate how best productivity can be achieved in the system.

I think it's fair to say that when our system was put together several years ago, most people would not look to pharmacology as being at the centre of that system; we are now.

Let me switch just quickly to opportunities in terms of economic policy. We acknowledge some important initiatives that the government has taken to put Ontario back on the road to prosperity and to create a favourable investment climate in order to attract a continued and even greater share of the global pharmaceutical investment. Some of these items are the following: a commitment to reducing the provincial debt; the creation of the Ontario research and development challenge fund to support basic research and the Premier's excellence awards; commissioning of the Dr Heather Monroe-Blum report on Growing Ontario's Innovation System: The Strategic Role of University Research; creation of the investment climate committee, which is a committee jointly with our industry; the leadership of the Honourable Jim Wilson from the Ministry of Energy, Science and Technology to request the development of a strategy for Ontario to fully achieve the economic potential of our pharmaceutical industry; and continued financial support of the health care system.

The important question no doubt for all of us is, how will additional expenditures be made and how will these programs all be integrated into what is happening now? It's clear, if you take a look at the innovative pharmaceutical world, that the challenge is not just local but in fact is global when it comes to having the presence of our industries in Ontario. Everybody is looking to the knowledge-based economy. Everybody is looking for innovation. Everybody is looking for research and development. So how is it that we can perhaps take advantage of that opportunity? Let me specifically get to the following recommendations:

The Ontario government should promote the strengthening and effective enforcement of intellectual property protection with the federal government. While I understand it's a federal field, the results of research and development cannot be maintained for the benefit of the citizens where those developments are found if there is no intellectual property protection.

The government should continue to increase its funding and work to help increase the funding of the federal government on basic biomedical research and development in Ontario, which would make it comparable to a level in competing countries.

Implement the recommendations of the Monroe-Blum report by establishing the Ontario Science, Research and Innovation Council and the Ontario Health Research Council.

Explore tax-related and other opportunities to encourage researchers to stay in Ontario and to attract leading researchers here.

Call on the federal government to streamline the regulatory process and implement further reform of Ontario's submission and approval process for listing on the ODB.

Investigate fair alternatives to Ontario's price freeze on innovative medicines which was imposed in 1993. In the memorandum of understanding, we have undertaken to work with government to find alternatives to that, but that has yet to be tackled.

Finally, change the direction of health care policy in Ontario to promote prompt and efficient adoption of innovation in order to take full advantage of the available technology to improve productivity in our health care system.

All of this will make health care better. All of this will help, we think, to make the economy much better. Thanks, Mr Chairman.

1620

The Chair: Thank you very much. We have approximately three minutes for each caucus. I'll start with the official opposition.

Mr Kwinter: It's a pleasure to see you, Murray.

Mr Elston: Thank you, Monte.

Mr Kwinter: I just want to comment. You talked about the difference in the allocation of funds to health care. It's now over \$20 billion and I think you used the figure of \$8 billion or \$9 billion.

Mr Elston: About \$8.9 billion, \$8.7 billion, when I was around.

Mr Kwinter: Just by a quirk in political events, when I was a minister I had Frank Miller, the former Minister of Health and the former Premier of Ontario, reporting to me. If you'll recall, they were in a crisis and they wanted to close all the hospitals. They backed down, but they had announced that they were going to close a bunch of hospitals. When he came to see me one day, I said, "Frank, what was the crisis?" He said, "Our health care budget was at \$3.7 billion and it was out of control." So that just tells you how things have changed as we go along.

I appreciate the problem you have with new innovative drugs that don't get on the formulary. I think one of the other problems we have is that there's a duplication in the DQTC in Ontario and federally. What is your reaction if that were consolidated so there was one approval body that would approve pharmaceuticals for everybody in Canada, as opposed to one at the federal level and then it's duplicated again at every provincial level?

Mr Elston: In fact, technically, the federal program actually approves the marketing of product throughout Canada and it's the exercise of listing on the formularies in which the DQTC takes place. It also does some other exercises. But it would have seemed to be more efficient that once you have the safety and efficacy found to be in place by the federal authorities, you could go ahead and list. In fact, that would be quite helpful for us.

Certainly, we find the duplication, and in fact almost the resubmission of the same submission that we put to

the federal authorities, to be time-consuming. One of the things it does is that once the product is available for use, it will provide a delay of several months minimum before the people who could take advantage of it, who need it, can actually use it. From our standpoint, that is a delay that should not be allowed to occur.

The whole reason we're into the program in the first place is so that we can have better health outcomes. If we can eliminate the duplications, if we can bring a product that's found to be safe and efficacious on to the market, and to the patents almost coincidentally, that would be a much better outcome for us.

Mr Kwinter: I don't have a lot of time, but what I want to ask you is, 50% of all the drug companies are centred in Ontario. It's a huge bonus for Ontario because of its innovation and its technology and all that. I notice an incredibly big trend to consolidation of the pharmaceutical industries. You had Glaxo, then you had Glaxo Wellcome and they've just now hooked up with—

Mr Elston: Smithkline Beecham.

Mr Kwinter: Smithkline Beecham. I see Pfizer's just made a deal. Do you see that impacting on the product mandates that are given to Canadian companies as a result of this consolidation, and do you see that as a bonus or as a negative?

Mr Elston: Actually, I think initially people would look at it as being negative, but unfortunately what's happening in research and development of pharmaceuticals is that it's becoming very expensive. It will cost upwards of \$750 million to bring a product to the market. That requires a certain size to deal with those types of research. They start off with a huge number of molecules that they may be looking at and they eventually eliminate it down and down until out of 10,000 to 30,000 prospects they'll end up with one or two candidates for use, and that expense really needs the size.

Having said that, what it will do I think in Canada is spur on a very active bio-pharmaceutical and biotechnology industry. We've got very skilled researchers. In fact, one of the reasons that Canada has been fortunate enough to hold on to so much research and development during a cutback time in both federal and provincial funding for research has been the quality of the people who are involved in research here, and also, by the way, the increasing research our companies have provided in terms of dollars.

I think there are big advantages for the people because the size of the companies will allow them to continue that very expensive medication search, and the new companies that will be able to occupy some of the areas that have been left vacant by the mergers will provide better coverage for the consumer. So overall, while we are seeing a great deal of change, I think it is going to be for the best.

Mr Christopherson: It's nice to be addressing the best leader the Ontario Liberal Party never had.

Mr Elston: You are being provocative again.

Mr Christopherson: I am complimenting you, Murray. I'm not being provocative. I reserve that for the Tories these days.

There has been some bantering about how health care costs have gone up. There's no question they have been escalating and they have to be checked. In fact, I think our government was the first to really take a stab at that, and it was quite a feat just to reduce growth to about 3% as opposed to the 12% or 13% it was increasing year after year.

But for the average person and the average family out there, whether it is \$3.8 billion, \$17.4 billion or \$20 billion, at the end of the day if you have a family member who is ill—a good friend of mine, Denise Doyle, has gone with family members to meet with the doctor to go over the results of tests. At this point I still don't know what they are, but I can assure you the last thing they care about right now is the macro-costs of the health care system. They want to know that whatever is needed for their dad will be there.

Mr Elston: In fairness—going from three to eight to 20—we are doing a lot of things we never dreamed we could do even 10 years ago, if I may say that. While our usage has been expanding, it has only expanded because we have had the innovative opportunities to deal with problems we could never even dream of dealing with before.

Mr Christopherson: Agreed, no question, but that is a nice segue to a couple of issues. One is to the credit of my colleague beside me, Monte Kwinter, who raises the alternative health care issue in terms of protection and that whole thing. I wouldn't mind hearing how the pharmaceutical community views alternative drugs, natural drugs. Are they doing their own research? Are they remaining neutral, saying "That's somebody else doing their thing"? Are they actually getting into it and doing their own thing or are they opposing it and saying "That's not the way to go"?

Mr Elston: In fairness, it isn't opposed. I think what they are trying to do is find the discipline we are used to requiring for our own medication. So they are looking into it. I can't say that every company is doing that, but a number are looking at the active ingredients that are found in some of the alternative medicines.

I think we are well beyond the time when one group or another claims exclusivity. We are now looking at complementarity, and everybody is open to getting the understanding necessary to make sure we don't get reactions which are unintended. I think the biggest concern most of us have is getting some more precision, some more knowledge behind what really makes alternative medicines work, as we do with our own products. That is a big part of our activity in clinical trials, for instance.

The Chair: For the government side, Mr Galt.

Mr Galt: Thank you for your interesting presentation. In the beginning, you talked a fair amount about research and development, which is just tremendous. I am glad to see it here. I am curious about where you would be today if free trade had not come in, and also the patent pro-

tection legislation in the early 1990s. How much of that would be going on in Ontario and Canada if that weren't in place?

Mr Elston: There is no question that the changes in federal legislation in 1987 and 1993 are major reasons why our research and development have increased. I'm not as sure about the free trade issue, but there isn't any question about the other. With patent protection came the impetus to actually make some discoveries. If you can't protect the labours of the women and men who work in research, and then take advantage of it for purposes of the area in which it was created, then you are going to—

Mr Galt: You also had some negatives from the community: "Why has that particular product been kept up and the price so great?"

Mr Elston: A lot of people think that because there is patent protection, there is only one medication in each line. A number of our companies are competitors. They compete with products. I mentioned the two flu products. Those two products are manufactured and offered by different companies.

Mr Galt: Can I quickly get another question in. It has to do with the drug formulary and new products coming on. You are saying, "Get the new ones out there." Some of them are horrendously expensive, for example, high blood pressure medicine. But by training, our physicians go to the expensive ones, which they're used to, instead of the cheaper ones, and you have to pay for it. We have gone from \$400 million in 1985, when you were there, to something like \$1.6 billion now. Where is this going to end? It's almost to the level now of total health care a few years ago, from what I'm hearing. How do we control that to some reasonable extent?

1630

Mr Elston: In fact, that is a very good question. It's one of the reasons we would like to see health policy integrated across the silo funding. We believe, for instance, that the reason we're spending \$1.6 billion now is because we are not hospitalizing as many people. We don't do operations for ulcers. For \$200 we solve a problem, just as an example. The same is true for a whole series of other things—asthma. Although we had a very unfortunate incident in this province recently, asthma is better managed now and we've got the opportunity of setting up a regime with compliance and other things that really does help reduce those costs in other parts of the organization.

What I had indicated earlier was that with an integrated look at how the system works, we will find that we are really getting good value for the expenditures made. If those expenditures were not made, my contention is that we probably would have a much bigger bill in the hospitals, we would have a much bigger bill for home care, and we would have much bigger bills because people would be seeing their physicians more often.

In that situation, I think you would make the connection to say we're not making absolute savings because, as we have mentioned with Dave before, we're doing a lot more things that we never even dreamed of doing before,

and that's what's making our system expensive. We are always going to try and find a solution to the most recent and pressing problem in medicine, and we're all going to drive to try and find innovation. Our problem is that once we find it, it would seem to me to be a very bad public policy to prevent the people who need it from getting it. That's really what our health system is about. It was designed to let people have access to the treatment they need. We can make it better. We can't, unfortunately, make it cost zero, but it will be less costly to follow the new therapies and the new innovations, in our view.

The Chair: With that, Mr Elston, on behalf of the committee I thank you very much for your presentation. I'm sorry; I have to treat everyone fairly by giving them 30 minutes.

Mr Elston: I understand. Thank you very much. If I may, I'll leave these materials with you, Mr Chair.

ONTARIO CAMPAIGN 2000

The Chair: Our next presenter is on the agenda as a group called Ontario Campaign 2000. Could you step forward and state your name for the record, please.

Mr Pedro Barata: My name is Pedro Barata.

Mr Ron Dancey: I'm Ron Dancey.

The Chair: Welcome, gentlemen. You have 30 minutes.

Mr Barata: My name is Pedro Barata. I am the Ontario co-ordinator of Campaign 2000, which is a provincial partner in Campaign 2000, a national public education movement to build awareness and support for the 1989 House of Commons resolution to end child poverty in Canada by the year 2000. Campaign 2000 has over 70 national, provincial and regional partners across Canada.

In Ontario, Campaign 2000 comprises a network of over 30 provincial and community partners, including nurses, interfaith groups, social workers, labour unions and child care organizations in addition to many local groups across this province.

The new millennium presents an opportunity for renewed hope for families and children in Ontario. The 1990s were a difficult decade for many children and their families, who experienced a devastating recession, crippling public and private sector downsizing, as well as a significant reduction in the level of available public services.

Campaign 2000 recently reported on the impacts of the last decade on children and families through the release of both the national and provincial report cards on child poverty. We found that between 1989 and 1997, child poverty in Ontario grew an astounding 118%. As well, the number of children in two-parent families earning less than \$20,000 tripled. When compared to what is taking place in the rest of Canada, Ontario has failed to address the needs of poor children and families in this province. Since 1995, when this government took power, the number of poor children in Ontario increased 6.3% while decreasing 11.1% in the rest of Canada.

It is essential that we move toward rectifying the situation in order to be able to legitimately make the claim that Ontario is indeed one of the best jurisdictions in the world in which to live.

Campaign 2000 urges our national and provincial governments to invest in a comprehensive set of strategies that effectively address child poverty in the areas of family income security, services such as early childhood education and child care, affordable housing and the labour market.

Campaign 2000 believes that a comprehensive, life-cycle approach is the most effective way to eliminate child poverty. We urge the Ontario government to develop an action plan to end child poverty in Ontario that includes clear targets, timetables and monitoring mechanisms.

Clearly, a strategy to address child poverty that focuses exclusively on economic factors without a corresponding strategy focusing on services, housing and income has not proven to be successful. Witness the economic recovery during the second half of this decade that has not brought about widespread benefits and prosperity for all families in Ontario.

In Ontario today, full-time, full-year employment does not guarantee that a family will avoid falling into poverty. Low-, modest- and middle-income families continue to find it difficult to make ends meet. Consider that the number of children in working-poor families has grown 142% since 1989. Even among families who have full-time, full-year employment, the child poverty rate has continued to climb, from 4.7% in 1989 to 8.8% nearly a decade later. That is 189,000 children whose parents are working full-time but who are finding it very difficult to make ends meet.

Good jobs that enable parents to provide adequately for their children are a key component in any strategy to reduce child poverty. However, the jobs available to low-income parents are largely part-time, low-wage, contract or seasonal, and offer few or no benefits. Campaign 2000 has consistently remarked that Ontario needs to seriously consider bettering the opportunities for parents to achieve stability through work by improving the minimum wage.

Currently, a single parent with one child working full-time requires a wage of about \$12 per hour in order to reach the poverty line. That represents a wage gap of an additional \$5.11 per hour, considering that the current minimum wage is \$6.85. Closing this gap is essential in promoting parental stability in the labour market. That way we'll guarantee that every new job this government helps create will indeed be a step in the prevention of poverty in Ontario.

Further compounding the issue, the support for working parents in Ontario has been dramatically eroded. Ontario continues to have the lowest rate of unemployed people receiving employment insurance. In 1997, a mere 25% of the unemployed in Ontario qualified for benefits under EI. This number represents a 47% decline in coverage since 1989, when over half of those unemployed received benefits. For many parents, the increasingly

stringent EI eligibility requirements force families onto social assistance rolls. Ontario must play a stronger role in ensuring that Ontarians who are unable to work achieve a greater degree of stability through EI coverage or other programs.

This government must also address the inadequacy of the minimum wage for families by, at the bare minimum, building inflation protection into an improved minimum wage as well as providing parents with other income and service supports.

In the realm of social assistance, the implementation of the Ontario Works Act continues to create problems for municipalities as well as failing to provide adequate supports for parents and children. There should be no question that the 21.6% cut in benefits in 1995 made it much more difficult for families to feed, clothe and house themselves. For example, a lone parent with one child in Ontario is eligible for a maximum of \$511 per month for shelter costs, yet an average two-bedroom apartment in Ontario costs between \$617 and \$881, depending on where you live. Studies have shown that the first thing parents on social assistance budget for is rental costs. The inability of shelter benefits to reflect the cost of living in Ontario results in parents taking money away from their family's food and clothing budgets in order to pay the rent.

Not only are families on social assistance required to live on allowances that are unable to meet their basic needs, but they are also required to participate in Ontario Works programs without the appropriate supports like child care, transportation and equipment costs. In the city of Toronto alone, the full implementation of Ontario Works would require a \$133-million investment in licensed child care in order to guarantee the adequate implementation of the program.

To further compound the issue, the Ontario government is deducting the national child tax benefit from families on social assistance. In turn, this benefit clawback is being reinvested into targeted programs where the employment status of the parent acts as a determining factor for eligibility. Thus, the Ontario child care supplement for working families is being funded through this clawback, raising fundamental questions regarding our commitment to children in this province.

Campaign 2000 recommends that the national child benefit should be immediately extended to all low-income families, including those on social assistance. Campaign 2000 also recommends that families on social assistance be entitled to benefit levels and other supports, such as child care and transportation, that reflect the real costs of living in this province.

1640

In the realm of early childhood education, child care policy in Ontario has traditionally balanced two objectives: employment supports on the one hand and quality early childhood development for children on the other.

There are three main components to the success of quality early childhood education: quality child care, early education programming such as kindergarten as

well as supports to supports through extended parental leaves and family resource programs. The Ontario government's investment into the Ontario child care supplement for working families fails to address all of the key components necessary for quality early childhood education. The supplement is a tax measure that does not create much-needed quality child care spaces or kindergarten programs. The supplement also fails to address the needs of parents who want to extend their parental leave in order to make a greater personal investment in the lives of their children.

Campaign 2000 recommends that the government immediately establish an early years program which must include adequately funded, well-staffed, affordable childhood care and education programs for all children three to five and which also provides healthy child development and support to families in all communities; also, establish early education programs for younger children and appropriate programs for school-aged children.

We also recommend that the government revise legislation regarding maternity and parental leave to complement the federal announcement of an extension of employment insurance benefits to parents for up to one year.

Campaign 2000 also urges that the Ontario government assume a leading role in addressing the importance of a comprehensive approach to early childhood education during the development of a national children's agenda in December 2000.

Finally, in the realm of housing, Ontario families are facing a housing crisis in this province as vacancies keep falling and rents continue to increase. In the past decade, rents have risen at double the rate of inflation. The combination of the downloading of social housing and the introduction of the Tenant Protection Act has resulted in a very precarious situation for Ontario's low-income parents. Rental housing is in short supply. In 1988, only 2% of all housing starts in Ontario were rental units, and Toronto, Barrie and Peel had vacancy rates of under 1%. With the scrapping of rent controls, rents in the housing market have ballooned to the point where serious issues related to housing affordability are being played out throughout communities in this province. Today, almost one in four tenants, including families and children, can be considered at risk of homelessness since rental costs consume more than 50% of their pre-tax income.

Social housing is not meeting the needs of families who must contend with rising rents and low market vacancy rates. Ontario is currently experiencing the highest number of people on social housing lists in the past decade. In Toronto alone, there are 40,000 children on waiting lists for affordable housing.

Not surprisingly, municipalities are grappling with growing homelessness as evidenced by the alarming increases in the use of shelters over the past four years. Youth under 18 years of age and children are the fastest-growing group of hostel users. In Toronto, 1,000 children are living in shelters or hostels.

Campaign 2000 recommends that the Ontario government work with the federal government to develop a comprehensive, concrete plan to increase the supply of affordable housing suitable for families.

We also recommend that the government make a commitment that children are entitled to permanent, stable housing and should not be housed in hostels on a semi-permanent basis.

If you refer to your brief, on page 5 we make the recommendation, "The Ontario government should commit to work with the federal government to implement the following benchmarks." We urge you to take a look at those.

On page 6, it's basically a summary of the recommendations I've already presented throughout this brief.

Ron Dancy from the Child Poverty Task Force in Durham region, a partner with Campaign 2000, will now address you.

Mr Dancy: I just wanted to put some meat on the bones of what he was suggesting. It has been suggested that there isn't poverty in the GTA. I would suggest that this brochure, which is for Durham region, argues otherwise and reflects otherwise. We have a wide range in Durham region. It goes from 7% or 8% in the Ajax-Pickering area to 22% in Oshawa. Oshawa has a higher rate because it has more affordable housing on the private market. I'm not talking about social housing. The housing in Oshawa is more affordable, so people on low income move there.

It was suggested to us recently by one of your colleagues, Mr Flaherty, that there wasn't poverty in Durham region, but we have a child nutrition project that is currently feeding 1,000 children every morning and we've got schools lined up to join this.

One other thing, flesh that we wanted to put on the bones, was the social assistance rent costs and frequency of moves. I'm not going to read it to you. It was a survey that we did among people on social assistance. I think the issue that we want to push is that low incomes mean that parents have to be creative in how they're going to find things or shelter for their children.

But I think the moves are the most important part and also argues against what you're trying to do with McCain-Mustard in the Early Years report. If these children are moving constantly, they're constantly losing the friends they made at school A as they move to school B. What we've found is that everybody on social assistance moved at least once in a year; 44% moved once, 27.6% moved at least twice, 15% moved three times and 12% moved four or more times. If they have children, that's got to be devastating for that child trying to develop in his own neighbourhood.

They also didn't move because they weren't very good at finding places. We did compare the rents that they found to Canada Mortgage and Housing low end of market, and we found out that most of the time, if not all the time, these parents were finding places that were lower, but they still couldn't afford to pay the low rent they were finding. And so, as the book says, it's pay the

rent or feed the kids, so they ended up moving. But they were adept at finding another place.

One of the other things we handed out was a pledge list. We're trying to get the community aware and involved in helping reduce some of the effects of low income. We're in the process of getting people involved. Like I say, our prime thing is the child nutrition project, which is school breakfasts.

But these are only stopgap measures. They're not real solutions. Parents should be allowed to make their own decisions, and to do that they need money. I think it's also a question of the government providing some leadership, because the effects of poverty are significant on children in how they will function as adults when they join the labour force in 20, 25 years. So if you want to ensure that all our future citizens are able to develop to their full potential—I always say so that my pension will be safe; I'm going to be paid by the children—then we have to cure poverty today so that the children can function the best they can.

Thank you very much for your time.

The Chair: Thank you very much. We have approximately three and a half minutes per caucus. I'll start with Mr Christopherson.

Mr Christopherson: Thank you both very much for the presentation. I would hope that some of this overall is having an impression on the government, because they're hearing enough times now, and over the past few years, what the other side of their economic agenda creates.

The government brags about full-time jobs that are being created. There's the whole issue of how much are they being paid; are there benefits attached to it; what's the duration of that job; what are the real possibilities of getting that contract renewed, if it's a contract job. And now you've also pointed out that there are 189,000 children who are in families where both parents are working.

I can remember somebody making a presentation at a public meeting in my hometown of Hamilton. They came forward and said: "You know, before I was in poverty. Now I'm working, but I'm still in poverty." So the notion that just a full-time job is the answer is not sufficient. That job has to pay enough, it has got to have enough security, it has got to have enough benefits that you can actually maintain a family.

This is startling, when you note that since 1995 the number of poor children in Ontario has increased by 6.3% while it has decreased 11.1% in the rest of Canada. That's an overall figure, I gather, for the rest of the provinces combined?

Mr Barata: Without Ontario included.

Mr Christopherson: Yes. That is frightening, because at this point we see a deterioration of the whole social safety network, and by that I include our health care system and our education system and our post-secondary situation—a continuing deterioration during this boom. They're not going to change their plans—at least they haven't given any indication they're about to—and the only outcome we can possibly see is that this is going to get worse. This can only get worse.

I don't imagine for one second that the people who are in poverty—take these working parents of the 190,000 children, where they're still in poverty. Like the farmers who were here earlier, "When you ask me about a tax cut, I've got to have an income where I'm going to pay taxes and I'll get a tax benefit before I'm even into that discussion." That's about where these folks are. They're really being left on the side of the road as the government continues to drive on by towards their own goals.

If there were just one or two things that you could see your way to focusing this government on, what would they be? What would the one or two key things that would make the most dramatic difference for children in poverty be?

Mr Barata: As we mention in our recommendations, the government did commission the Fraser Mustard study looking at the early years, and that study really fleshed out a lot of things that we contend are in the right direction. We need supports for parents through child care; early childhood education across this province for every parent who needs it. We also need better housing strategies. We need labour market strategies, looking at the minimum wage, for example, and looking at the instability within the labour market, that even though the jobs are full-time they are not addressing the needs of families. In those three areas, we would focus the most attention: early childhood education, the labour market, as well as housing.

1650

Mr Christopherson: If I've still got time, I've got another question.

The Chair: Very brief; 45 seconds.

Mr Christopherson: All right. I'll take it. You mentioned the minimum wage. This hasn't come up very often yet, a couple of times. The reality is that our minimum wage is now below that of the United States. We always thought of ourselves, on these critical indicators, to be sort of more progressive, and that's not the case. We're falling behind in environmental protection, we're falling behind in some of the labour laws and we've fallen behind in minimum wage. Just the other day, if you heard the president of the United States in his State of the Union address, he was imploring Congress to raise it again. They've already raised it once. It sure didn't dampen the economic boom in the United States, and I don't imagine Clinton would advocate something that would further put a drag on their economy.

How important is the notion of a minimum wage to all of these people in terms of getting it raised to a decent level?

Mr Barata: It's of utmost importance. In conversations with different government officials, we have found that the main strategy this government is relying on to address child poverty is job creation. Over and over again we have the job creation creed, and what you find over and over again is that job creation alone will not solve this problem, because the minimum wage cannot address the needs of parents and families.

Again I have to put this message across: You cannot rely just on the labour market. We need services, we need

income strategies and we need early childhood development as well as housing strategies so that we can have a coherent strategy on child poverty. It's not good enough to create jobs without looking at what kinds of jobs are being created, and it's not good enough to say they're full-time jobs without looking at what they pay, what kind of benefits the parents have, what kind of turnaround is on these contracts. All of these factors make a unilateral focus on the labour market very problematic for families. There must be a greater analysis of labour market strategy for this.

Mr Christopherson: Well said. Thank you very much.

Mr O'Toole: I'm a resident of Durham and try to represent the area. I've met with Ron and others and do listen to the discussion, regardless of the motive of the constituent group, and I'm pleased with your presentation today. To keep vigilant on our moral and social obligations, I think that's important. Sometimes these things get distorted, and I understand the importance of keeping it before us or whoever the government is. It's important.

I think there's a strategic difference. Some of this sounds sort of like a canned communication package, but we believe in a fundamentally different kind of approach to the problem. We've had 10 years—I'm not trying to use the cliché of a lost decade—of trying to spend our way out of these things, the highest welfare rates and the highest welfare caseload. There are theories that prove to me in the shorter term that providing those income support things isn't really the solution either.

In my view, it's sort of balanced. This is a generalized statement, but you have to have a healthy economy. This sounds corny, but think of it. You have to have a healthy economy to address the social issues and priorities and/or the environment and/or health and education. Those are the four in a basket here. If you were to listen here for the next week or so, there are 5,000 on that list of priorities, one of which is the next presenter, the mining association. The previous presenter, the agricultural sector, they all want more from you or whoever is going to pay more. That's a balance the government tries to find without taxing everyone. Ultimately, the solution is to reduce the drag on the economy. So our theory is somewhat different: reducing taxes to create jobs, reducing that drag, that dependency.

That gets down to the individual level on the social assistance side as welfare. Everybody fought it. In Durham, I went to several things and they said: "It's very bad. Working is very bad. The jobs aren't high paying and they're not high-technology." But a job is better than no job. That's a starting point. I agree that we need to address some of the issues there, but we're focused on providing the atmosphere for job creation.

The success is there, if you look at the welfare rates declining by almost 500,000 and you look at the employment rate which is the best in over 10 years in Ontario. Yes, there are dislocations within that, families that aren't functioning, families that are wasting their resources somehow and families that need other

resources. The world is changing. The skilled jobs are there but the unskilled jobs aren't there. It's a very complex issue.

I suspect you'd have to look at some of the Canada health and social transfer payments as well which have caused some anguish. I'm not trying to just toss it over, even in the EI piece. If you wanted to really look at the income tax rate issue federally, what they call bracket creep, and how that impacts low-income people, there are fewer people paying tax in Ontario than there were five years ago. There are more taxes being paid federally, as of 2000, by the low-income groups because of bracket creep and CPP premiums. We call them job creation killers.

Our strategy is somewhat different. I would like very much to work with you and Ron to see if there are things to make sure it gets to the child. I think if you look at some of the initiatives we've taken, the \$2.5 million for the partnerships with the Canadian Living Foundation, the \$57 million for Healthy Babies, Healthy Children, the \$10 million for investment in foundations, if you look at Learning, Earning and Parenting, those are infusions directly into trying to change circumstances in people's lives.

I appreciate your input. I appreciate the work that Campaign 2000 has done to educate and make us aware—

The Chair: Thank you very much, Mr O'Toole. I'll go to the official opposition.

Mr Caplan: I have a question for the presenters. I just want to say that the last comments are frightening; they are absolutely frightening.

We have a boom, we have a great economy, and in this time I was shocked, I was outraged to learn that the Minister of Municipal Affairs and Housing has directed the sale of up to 5,800 single-family or semi-detached homes across this province that families are living in. In the city of Toronto alone, for example, there is estimated to be about a 22-year waiting list to get into an apartment or a home that is going to be sufficient accommodation for a family with children, and here we have a provincial government directing the sale of these homes where people—families with children—are living.

I would just like to know if you have some comment about that kind of initiative on behalf of government, which is interested in some of these issues as they pertain to children.

Mr Barata: I'm not familiar with that particular initiative, although it is frightening that in a period of supposed incredible economic growth, unprecedented economic growth, we find that the poverty rates in Ontario are still growing while everywhere else in the country they are going down.

I ask you, if we enter another recession, considering that our poverty levels are so high during such an economic boom, what kinds of supports are we going to have in case we do enter a situation of 1991, 1992, 1993? Our child poverty rate in Ontario right now is at around 18%. What's going to happen if we enter into another

economic recession and we don't have income supports and we don't have any kinds of programs to help families out?

As it stands right now, a family on social assistance is living below subsistence levels by the most stringent poverty-line standards. That needs to be addressed.

1700

In terms of housing overall, I think the downloading of housing to the municipalities has left communities scrambling to find spaces to put people who can't afford market rents, because there are no apartments available that they can afford. Right now in Toronto if you go look for an apartment, you might get 50 other applicants. They're not going to give it to you out of the goodness of their own heart; they're going to give it to the person who can most afford it.

Mr Caplan: It's no surprise that increased use of shelters and hostels by families with children is up 123%. You have just an enormous situation as far as economic eviction: 50% of tenants, many with families, don't even contest an eviction. That's something I know the government has said very happily is one of the effects of their so-called Tenant Protection Act. It's remarkable. Where are these people supposed to live? How are they supposed to go to school? How are they supposed to access health services? How are they supposed to get job training if they don't have stable housing? What's going to happen to these children? What's going to happen to the future?

There is a lack of vision, unfortunately, that we're looking at today and next year. Ten years, 20 years down the line this province is going to pay an enormous price for the neglect of the last several years, in a time of tremendous prosperity. It speaks of the priorities of the current regime and the lack of vision that they have for the welfare of all Ontarians.

The Chair: If you have a brief comment, I'll take it.

Mr Barata: I'll make a final comment. This government often mentions that a lot of people are falling off the welfare rolls. Unfortunately, there's no adequate tracking of where it is that they are going. We don't know what kind of jobs they're getting into or whether they're moving back in with a parent or with a family member, or whether they're just ending up at a shelter. There's no tracking of this and yet policy is being designed around all of these issues without any information to be able to evaluate the kinds of impacts that the government is having. I'd like to make that final point.

The Chair: On behalf of the committee, gentlemen, thank you very much for your presentation.

ONTARIO MINING ASSOCIATION

The Chair: Our next presenters are representative from the Ontario Mining Association. Could you please state your names for the record.

Mr Patrick Reid: I'm Patrick Reid. I'm the president of the Ontario Mining Association. I have with me my

colleague, Peter McBride, who is our manager of communications and energy services.

The Chair: Welcome on behalf of the committee. You have 30 minutes.

Mr Reid: Thank you very much. We will be brief and hopefully have adequate time for some questions. I'd just like to point out that I think it was Mr O'Toole from Durham West who said that everybody was here asking for more. We're in fact asking for less, less taxes.

Very quickly, the value of mining to Ontario: Something not usually associated with mining, but we are in fact a high-tech industry. We have to be high-tech to compete with the global mining community and if we don't use and develop leading-edge technology, we won't have a mining industry in Ontario or Canada.

The mining industry provides some 25,000 direct jobs with about 106,000 direct and indirect spinoff jobs. I might add that of those 25,000, the mining industry is the highest-paid industrial wage in Ontario. We provide \$1.5 billion in government revenues annually. Our productivity is twice the level of manufacturing generally. Our value added is more than \$210,000 per employee annually. The industry spends significant money every year in employee safety and training, environmental protection and research and development. In fact, we are the third-safest industry to work in, in Ontario, despite the hazardous areas in which many people work. We have an accident frequency rate of 1.4, which is only bettered, and then only slightly, by hospital workers and the pulp and paper industry.

We are the main economic engine in 50 Ontario communities, including a number in southern and eastern Ontario as well as northern Ontario.

We've heard a lot about prosperity and those who are not enjoying it. The mining industry, despite the boom, has gone through some difficult years. We note that the 1999 Ontario Economic Outlook and Fiscal Review of the government contains plenty of good news: tax reductions, cutting red tape, moving towards a balanced budget, high economic growth, steady increases in new job creation, outlook for economic growth, employment, investment and inflation is under control. However, not all sectors are sharing in the good news and experiencing these positive trends. Unfortunately, mining is one of them.

Mining has gone through a protracted period of soft markets and weak commodity prices. While the prices for some metals have improved recently, particularly nickel and zinc, the gains are not universal, particularly for the gold producers. When companies are not making money, exploration expenditures decrease and this has long-term implications for the future of the mining industry in Ontario.

Exploration expenditures have trailed off from \$195 million in 1996 to \$184 in 1997, \$128 million in 1998 and about \$108 million in 1999. A lot of the junior mining companies are in very difficult straits. The prospectors and diamond drill groups are presenting

evidence on the long-term implications if these trends continue.

The prospectors and developers represent the junior mining sector. These exploration companies, or companies that are trying to develop their first mine, are making representation to the federal government for a targeted improved flow-through regime. In the past, we did have a comprehensive flow-through regime, and it was the only regional government-assisted development program that ever worked in this country. It wasn't money that went down the drain; it was money that was actually spent in those areas of the country and the province that needed the assistance.

However, we have seen some help at the municipal level, which we appreciate. Government has shown a willingness to help. Hearings on the property tax treatment of vacant business land and facilities were held last year. The goal was to improve fairness and equity in treatment and administration of vacant lands for property purposes. The OMA, on its own and through a broader coalition, participated in these hearings.

We are appreciative of the legislation presented recently, which takes a real-time approach starting in the 2001 tax year, in which property owners receive tax reductions for the actual period of time that a property or a portion of the property is vacant during a tax year; and for the 2000 tax year extends the deadline to submit applications for vacant land provisions to February 29, 2000 from November 1, 1999.

Perhaps you see this as a relatively small tax issue, but its treatment sends the right message.

One of our major concerns is electricity rates. Mining operations spend \$250 million annually on electricity. Ontario still has the second-highest industrial rates in the country. The freeze instituted a few years ago on rates is helpful. In theory, as we move to a competitive market in electricity, it should provide companies with a welcome opportunity to better manage energy costs.

1710

The open marketplace in electricity is scheduled to open November 1, 2000. However, conditions for a competitive market do not exist at this time. Ontario is the only jurisdiction in the world that moved to a competitive market in electricity without splitting up the generating monopoly. Ontario is the only jurisdiction in the world that has moved to a competitive market advocating gross versus net load billing, and this discourages new investment in generating capacity. Ontario Power Generation Inc is using its market dominance. The spectre of electricity rate increases has been raised by the OPGI and we really need a genuine market to be created.

All of you being politicians, the first thing you do—well, the second thing—in the morning is to read the newspapers. You'll see that they were full of the articles about the fact that electricity rates may go up 10% in Ontario.

We are here to ask for less. We have one particular focus, and that is the Ontario mining tax. The Ontario mining tax is paid only by mining companies in Ontario.

The present government, not in this election but the previous one, stated in their northern Ontario program, "When the provincial budget is balanced in the fourth year of the Common Sense Revolution plan, we will be in a position to consider tax relief for the mining sector."

Last year, we mentioned at these hearings the establishment of a comparative tax review task force to look into this matter. This task force compared taxes paid by mining companies in Ontario and six other mining jurisdictions in Canada, the United States, Australia and Chile. We tried to pick jurisdictions that had similar mining operations in terms of base metal, gold and were comparable to Ontario.

We can now share with you the work of this task force, which included the Ministry of Northern Development and Mines, with liaison with the Ontario Ministry of Finance. Between us, we commissioned the management consultants PricewaterhouseCoopers to do this survey. It found that, "the corporate tax burden on mining in Ontario is among the highest in the world." The average effective tax rate in Ontario is 45.3% and the average effective tax rate outside of Ontario is 30% to 35%, so a difference of at least 10%.

It finds that the tax burden in Ontario reduces return on investment to 17%, and that's over the life of a mine, while the return on investment elsewhere is 20% and over. The 3% difference indicates a less favourable fiscal climate for a high-risk business such as mining.

It finds that the main contributor to the uncompetitive tax burden in Ontario is the Ontario mining tax, which currently stands at 20%. This, by the way, is over and above the usual corporate income taxes and so on payable at both the federal and provincial levels.

The study recommends therefore reducing the Ontario mining tax to 12%, the same rate as Quebec has, to make Ontario more competitive with other jurisdictions. We ask this committee to support this recommendation and forward it to the Treasurer.

We thank you for your time today and wish you good luck in your work in helping to build a budget for the next fiscal year which will benefit all Ontarians.

The Chair: Thank you very much for your presentation. We have approximately five minutes per caucus. I'll start with the government side, Mr Arnott.

Mr Arnott: Thank you very much for your presentation and for coming back again this year to give us your advice as to what should be in the provincial budget.

You've given us a very direct suggestion on your final page. You said there was a promise made that once the provincial budget was balanced "in the fourth year of the Common Sense Revolution plan, we will be in a position to consider tax relief for the mining sector." Then you've suggested exactly what you think ought to happen. That promise was made to you in the form of a letter, I would guess.

Mr Reid: It was part of the Progressive Conservative policy platform in 1992. When was the first—

Mr O'Toole: It was 1995.

Mr Reid: Time flies when you're having a good time.

Mr Peter McBride: It was part of the northern edition of the Common Sense Revolution.

Mr Arnott: Certainly it's the position of the government that we want to have a thriving mining industry in the province that can return investment to investors and encourage job creation and preserve communities, particularly in the north. I would hope that the treasurer will take a look at your recommendation and hopefully he will be in a position to respond favourably to it. I guess that's what I wanted to say to you. Thank you very much. I don't know if any of my colleagues have questions.

Mr Galt: I'm just curious. In your opinion, if we did move this from 20% to 12%, how many jobs would that create in Ontario?

Mr Reid: I can't give you numbers, but what it would do is improve the investment climate enormously, because people would be able to realize that the existing mines would have more money to reinvest in exploration and development. We see a direct link in doing this, which would be a big signal that mining is welcome and will not be punitively taxed in Ontario. We believe it would give a big boost to the junior exploration business and the diamond drillers. There are a lot of them out of work right now.

Mr Galt: I would think it's something an economist could tell us and it would be valuable information for this government. We're looking to create jobs. If we had some figures there that it would possibly create enough jobs that it would more than pay for itself and would stimulate the economy, similar to the reduction in personal income tax that has generated far more income than is lost—

Mr Reid: That's a good suggestion, Mr Galt. What we'll do is compare what has happened in Quebec, which has the 12% regime. They have a very generous provincial flow-through situation. They are seen by the mining industry as the preferred place to be, partly because of the return on investment.

Mr Galt: That could give more or less a direct comparison?

Mr Reid: I think we could, yes. It might be rough and ready, but it would give us an idea.

Mr Galt: I'm absolutely flabbergasted. Back in the spring of 1994 our government put together a package that predicted we could create 725,000 net new jobs with the reduction in income tax. I'm still surprised that we're right on track, that the economists that long ago—we're talking six years ago—could predict that if we cut the income tax by a certain amount—the opposition goes on about it's the great American economy, but who predicted the American economy in 1994? What a prediction. Come this year, we will be at the 725,000 net new jobs.

Mr Reid: Maybe we should use those economists to get you the answer.

Mr Galt: Maybe so. Anyway, thank you very much.

Mr Kwinter: It's nice to see you again, as always.

I want to raise an issue that I've raised with you before, but I think it's still valid and it's still a puzzle to me. As you know, Pat, I'm involved not in Ontario, but I'm certainly involved with a couple of mining projects in the central Asian republics. The thing that amazes me is that Canada, Ontario, has a reputation for having some of the top geologists in the world, some of the top mining technicians. The geology in Ontario is second to none, and yet there are companies in Ontario that are travelling all over the world. They're going to Chile, they're going to Kurdistan, they're going to all these places because it is a more friendly financial environment for them. It doesn't make any sense that we have this incredible resource that we're blessed with in our geology, with our competence, and yet we can't really exploit it in the finest sense, because of a tax regime that is virtually hostile.

Mr Reid: That's part of it. We have shown and there have been other reports that show you're better off to find a mine in Nevada or somewhere else because you're not as badly taxed.

We are the best miners in the world. We're the safest, we're the most environmentally responsible, we're the best trained, we're the leaders in technology, and all the things that you're saying. But there are two things. One is the tax regime, and the other is red tape and the barriers to getting a project going. You've all heard of Voisey's Bay. You've heard of Dia Met diamonds in the Northwest Territories. These companies have spent millions and millions of dollars doing environmental studies and signing almost in blood that they'd done the best they can. Governments have looked at it and said yes. We had Windy Craggy, where an ore body was expropriated with hardly any kind of due process.

This gives Canada a bad reputation. I was talking to a senior person in one of the companies just this week and he said he had some Americans in his office who said, "We don't mean to tell you your business, but nobody is going to start investing in Canadian mines because of Voisey's Bay and Dia Met." These companies have put millions and millions of dollars in, they follow the steps, and then for what seem to be very arbitrary reasons somebody says: "Uh, sorry. Can't do it." That's probably as big a reason as the tax situation.

1720

Mr Kwinter: What about the issue of rehabilitation of mines? Is that still an issue for you?

Mr Reid: No. We long ago accepted that we should be providing closure plans when we open and a form of financial insurance to ensure that there are funds there to environmentally and safely close the mines. We are not happy with what we wound up with, but that's sort of over, in a way. We'd like to revisit that at some point but, frankly, there are very few mines opening, so it's not much of a concern. It's a concern as a cost, but it's now a cost of doing business, and it is pretty well all over the world now.

Mr Christopherson: Thank you very much for your presentation. It's good to see you again.

I noted in one of the documents handed out talking about the taxation, the summary notes that Toronto is recognized as the world's financial centre for mining and that the TSE accounted for the lion's share of the estimated \$6.3 billion of equity financing that was raised in 1996 as the model year—that's 60% of the world total—and that we ranked second for the destination of capital raised by Canadian mine financing.

Recognizing that it's an important part of the economy, especially in the north, and one that can't be trivialized and shouldn't be, but recognizing that the industry doesn't appear to be on its dying legs, and given the number of presentations we've had today about the crisis that exists in poverty, homelessness, lack of affordable housing, the health care crisis, the education crisis, all those things as they feed into our future ability to compete overall as an economic entity—in fact, one of the presenters today was Alan Redway, the former Tory housing minister, who was here advocating for affordable housing. With the greatest respect, I would put to you, what are the arguments that you feel should prevail to have a tax reduction for your industry over and above all of these other things, given that the reason they are in crisis is because this government chose to give a tax cut that benefits the most wealthy to start with as their overall policy? What arguments would you give to those who see what's happening in health, education, housing, environmental protection, all those things that are so important to the quality of life, that they should be second to you getting a reduction in a tax that you pay?

Mr Reid: Well, Mr Christopherson, let's not talk in abstract terms. Some of your unemployed and some of your poor are people who worked in the mining industry who have either lost their jobs or can't get jobs because of the downturn and the lack of investment ability in Ontario. Some of the people you're talking about are people who either have been working in the mining industry or have been dependent for jobs in the mining industry. So we're talking about the same people.

We're trying to create a climate of investment where people will come in and invest in mining in Ontario in these junior and senior companies, who will hire geologists again, prospectors, diamond drillers, and all the people who supply them, to go out there and find new mines and create more employment. The very process of trying to find a mine creates employment.

I happen to be one who, I must say after a long road, has come to the conclusion that you've got to create wealth before you can distribute it. We're here to say that if you improve the investment climate for the industry by lowering the mining tax, which, by the way, will not cost the government very much at the moment because nobody has been making any money for the last three or four years—so to some extent for a lot it will be symbolic, but the investors out there are going to say, "Gee, if we find something, then we get a return." It's a long answer to your question.

Mr Christopherson: I have to tell you that backed up against some of the other pressures, if you were to hear

all the presentations that are being made and some of the crises that exist—and for a lot of the people you're talking about, they also want and need and deserve a decent health care system and an opportunity for retraining, and all those things are expenditures, and when you line up the expenditures—and I understand generating wealth, but the government has already got a booming economy, thanks to the American economy going for them. We're already booming. We are awash in investment money and corporate profits are way up. What's hurting is all of the infrastructure that benefits the vast majority of middle-class and modest-income people.

The notion that somehow further tax cuts, whether they're personal or business, I just have some real difficulty with—not that they shouldn't happen at all. Obviously you have to have an investment climate, but it's a question of what priority at what time. To say that the top priority right now, given the devastation we're seeing in so many important institutions in our province, is a further tax cut for one aspect of our economy, I just have to tell you is a difficult swallow for a lot of us.

Mr Reid: I can understand that, but I think you have to again look at the picture that if you had a producing mine in Ontario where workers in the mine were getting \$60,000-plus a year, and the people who were supplying that mine through transportation, through everything from food and rail services and bolting rods and everything else—the spinoffs from mining are tremendous. When you create a job in mining you create about three and a half or four other jobs along the way and that puts people to work. I understand what you're saying. I also understand again a long road, and I'm not prioritizing everything, but governments can't do everything.

Mr Christopherson: I don't think they try to do some of the things they should do.

Mr Reid: I agree there are some things the government should do, but they can't do everything.

The Chair: On that note, we have exhausted our time. On behalf of the committee, thank you very much for your presentation.

ONTARIO NON-PROFIT HOUSING ASSOCIATION

The Chair: Our next presenters are representatives from the Ontario Non-Profit Housing Association. Could you please step forward and state your name for the record.

Ms Robin Campbell: My name is Robin Campbell and I'm the executive director of the Ontario Non-Profit Housing Association.

The Chair: On behalf of the committee, welcome. You have 30 minutes.

Ms Campbell: I very much appreciate the opportunity to speak to the committee about the urgent need for additional provincial funding for affordable housing and to make the case and the plea that this provincial budget include significant funding that will go towards affordable rental housing. Not only do we expect to hear some

favourable indications from the province, but of course from the federal government as well in their budget in February.

ONPHA, the Ontario Non-Profit Housing Association, is a membership organization composed of 674 non-profit housing providers representing about 96,000 units of social, non-profit housing in Ontario.

1730

In my presentation I'd like to make six key points: first, that there is an urgent and growing need for housing action right now; second, that the province has a responsibility to play a lead role both in setting targets and in providing subsidies that will support the development of affordable housing; third, that there is a tremendous opportunity here for creative new partnerships and solutions; fourth, that the province has a particular role in the area of supportive housing, which is housing for people with special needs who cannot live independently without those supports; fifth, that the province has a responsibility and absolutely needs to retain the existing social housing that we have; finally, that I'd just like to give you a few stats which illustrate some of the need issues.

First, in putting into context the need for an affordable housing action plan, until a very few years ago both senior levels of government in Canada took responsibility for funding affordable housing through a whole variety of programs. Over a 50-year period from the Second World War until the cancellation of the non-profit programs by both governments in the mid-1990s, the focus was affordable rental housing. There have been some affordable home ownership programs, but clearly the need has been directed towards the most needy needing rental housing.

Today, all of the G7 countries except Canada have housing policies and programs for affordable rental housing. In the mid-1990s both the federal and Ontario governments cancelled social housing programs. They may have hoped that the private sector would move in to fill the gap; however, I think what's so important to note is that the private sector has not built rental housing even for those with upper incomes, let alone those with low and moderate incomes. Indeed, in 1998 less than 1,200 rental units were built in the entire province, and studies commissioned by the government through the economist Greg Lampert say that no one will build rental housing without significant government assistance.

Many are concerned about the alarming increase in homelessness and the lack of affordable housing. The call for government to act is growing. The time is right now for Ontario and Canada to restore the tradition of funding affordable rental housing.

Now just a few descriptors on the need: A Canada Mortgage and Housing report projected that Ontario would need an additional 80,000 units of rental housing between 1996 and the year 2001 on top of expected targets for new homes and condominiums. In fact, if we don't change this trend, only 6,000 rental units will be built by 2001—the time is too late; that trend has been

set—leaving a gap of 74,000 rental units. This shortage means that tenants with lower incomes are competing with those who can afford market rents.

Last year the provincial government took a first step when it committed about \$50 million for supportive housing and homelessness initiatives over two years, with a focus on mental illness. Ontario also announced it would redirect \$50 million in annual federal savings on social housing towards rent supplements for low-income renters. Of course, the federal government announced its homelessness initiatives just before Christmas.

That is indeed a very important first step, but it's only a very small step. The task before us is to work on the next one, which is to create a federal and provincial affordable housing strategy with significant targets, which will need significant funding.

The groundwork has been laid. The Golden report on homelessness in Toronto set federal and provincial targets for affordable rental housing as well as supportive housing. Last year our association, together with the Co-operative Housing Federation and Housing Again partnership commissioned a study called *Where's Home?* parts 1 and 2—copies, I believe, are available for you—and they painted a detailed picture of housing needs in 21 Ontario cities and regions.

To complement this, the Federation of Canadian Municipalities is recommending a 10-year federal-provincial infrastructure program. The national targets are to repair 10,000 existing units, build 20,000 new rental units and provide an additional 40,000 rental supplements for low-income households in each of the next 10 years.

There is also a significant role for municipalities but not in providing significant capital subsidies and income-based rent supplement funding. Indeed, the provincial downloading of existing social housing, which is an income-redistribution program, to the municipal tax base was bad public policy.

The two senior levels of government must take primary responsibility for ensuring that housing needs—when you talk about affordable housing, talking about addressing income issues across the province—be addressed in a consistent way across the province, not through the property tax base.

What's the role for the province? Indeed, it must take a lead role. With the signing of the social housing agreement with Ottawa in November, Ontario has agreed to take over responsibility for social housing. But the first important step is that it has a role in setting targets for affordable housing as well as supportive housing.

Doing a business plan and setting targets is an approach very familiar to this government, but I must say we were astonished that the only target for new permanent rental housing set by the provincial government in the business plan is for an additional 65 rental units to be built, on top of the average of 215 units built in low-vacancy areas.

CMHC suggests that we need 16,000 rental units a year, so indeed we need targets and we need a plan. That

plan must include the province making a significant funding contribution to meet these targets. No one is suggesting that the province do it alone. The FCM infrastructure proposal calls for both levels of government, federal and provincial, to contribute equally to funding affordable housing.

Anne Golden's report called on the province to allocate \$265 million annually for its share in meeting these targets. In contrast, the provincial government has committed to date \$50 million annually for rent supplements—indeed, these are dollars coming from the federal government—and about \$25 million annually for the next two years for supportive housing.

It's very important to keep the partnerships notion in mind when we're talking about solving this problem. Certainly, keeping the federal government involved is essential. One month after devolving social housing to Ontario, the federal government provided some new funding to address homelessness. This is a very important signal from Ottawa, and we should seize the opportunity in Ontario to ensure an ongoing funding partnership with the federal government. The best way to do this is to commit new federal funding to a social housing infrastructure program, looking to the federal government to match those dollars. The FCM federal-provincial infrastructure proposal has a role for municipalities, mostly in the coordination and planning. In fact, a number of Ontario municipalities are also putting land and funding on the table to generate new affordable housing development.

The non-profit housing provider sector in this province brings an important partnership to the table. We have 25 years of experience. Faith groups, service clubs and other community organizations which are volunteered bring an understanding of the needs in their community and links to other social agencies and community services. They bring sweat equity as well as real equity to the table.

Further, in any picture of what is needed to solve the problem, we know that significant public funds are needed and non-profit housing is the only delivery model that guarantees long-term affordability of the housing. The private development industry has always played a role in the construction of social housing in Ontario, but it's possible definitely to see them participating in a variety of innovative ways in the future if we can create some flexible tools. Public policy, however, will need to ensure that the greater the degree of public investment, the longer the guarantee of affordability.

A partner that has not adequately been developed is the financial services sector. Improved regulatory and tax incentive measures for individuals and corporations, as well as new financing mechanisms, open up a broad spectrum of new possibilities. Indeed, instruments such as municipal housing bonds are just one of the many opportunities.

1740

Partnerships with non-profit organizations or agreements to provide a portion of affordable units may be

combined with appropriate subsidies and incentives. In the US and the UK it's a cornerstone of how they support and fund affordable social housing, both through corporate tax credits as well as individual tax credits. It's also a cornerstone of programs in Europe, including France.

I'd like now to speak to the unique role of the province in supportive housing. Anne Golden concluded that the unique mix of housing supports and social services that is found in supportive housing is a provincial responsibility. The government recognized this by retaining some of the supportive housing at the provincial level, although much was devolved to the municipalities. The new \$45-million supportive housing initiative for 2,000 people announced last March is another indication of the provincial acknowledgement of their role.

However, supportive housing has also played a critical role in helping the chronically homeless, especially those with mental illness, to get off the streets and stay off the streets. Unfortunately, the province has downloaded this responsibility for permanent housing for the chronically homeless to the municipalities. It's important for the provincial government to recognize the permanent affordable housing solutions for the homeless as a provincial responsibility, as well as to recall that supportive housing serves other groups requiring extra assistance, including the developmentally delayed and the physically disabled.

To speak to targets and numbers, Anne Golden said that we needed at least 14,000 supportive housing units over the next five years. These units were to be permanent housing, not hostels and temporary shelters. It's not known yet how many of the 2,000 spaces announced last March will be for permanent supportive housing, but in any event at least 12,000 more units will be needed. We need to grow in that area.

Of course, retaining the existing affordable stock is as important or needs to be kept in mind as well as expanding the stock. The challenge is to meet the critical need for new affordable housing within the constraints of public funding that the federal and provincial governments will make available, but it will not be possible to make progress if the current amount of social housing is being reduced at the same time. Unfortunately, we see that happening in Ontario.

The provincial government must commit itself to replacing any lost social housing units from its regular provincial housing funding. New initiatives such as the \$50-million rent supplement program should be adding to the supply of social housing, not being used to replace previous funding.

There are two key areas of concern at the moment. First is the existing rent supplement program. In the mid-1990s, Ontario had approximately 16,600 rent supplement units in private buildings under contract with the Ontario Housing Corporation. Last year, when we published the *Where's Home?* report, we noted that over 3,000 had been lost where contracts were not renewed and more scheduled to be eliminated. These should be replaced until the original 16,600 are restored and then

we should add as well beyond that. Many people would be surprised to know that the province has been reducing the number of assisted housing units while waiting lists for social housing have been growing.

Second, the recent proposed sale of 5,800 OHC scattered units offers another example. Early information from a number of LHAs—local housing authorities—is that these scattered units cost less than half the operating cost of today's rent supplement units in private buildings. In some communities, they're the only family housing available and are probably irreplaceable. In Lanark county, for example, a rural county, there are 88 scattered OHC houses that may be sold. They currently have 230 children living in them. The average monthly operating cost is \$159; however, the LHA currently has 77 rent supplement units in private buildings whose average monthly subsidy operating cost is \$376. So we see that significant difference. If the families were resettled in private rent supplement units, if indeed three- and four-bedroom units are available, the cost would more than double.

However, the bottom line is that social housing should not be sold until there is a compelling reason, and any units sold should be replaced using current housing funds. New initiatives should not be diverted to replace existing housing. When Minister Tony Clement announced the first 5,000 new rent supplement units from the \$50 million promised, he said that Ontario was fulfilling its promise to help the homeless. This promise can only be kept if the provincial government cancels the sale of the 5,800 OHC units and restores the previous rent supplement program to the 16,600-unit level. New rent supplements should be seen as adding to those levels.

Finally, a few statistics. You've already received, I understand, a summary of *Where's Home?* parts 1 and 2. It profiled 21 cities and regions, containing housing and income data over the previous 10 years. Indeed, it's probably the most comprehensive housing report in Ontario done in many years.

Of the major findings about tenants and the rental situation, some of the key highlights are:

The situation for tenants in private rental housing is deteriorating as fewer apartments are vacant and rents rise faster than inflation;

Even in communities with moderate to high vacancy rates, rents continue to rise;

Tenant incomes have dropped;

One in four tenant households in Ontario are at risk of homelessness, paying more than half of their income in rent. Almost half of all tenants are paying more than 30% of their income in rent, a sharp increase from the previous census data;

The CMHC annual update on rental markets, released in November, indicates that vacancy rates have declined in most of the 21 cities and regions, and rents increased in all but three;

In contrast to the beginning of the 1990s, the production of rental housing has crashed in recent years, and

there doesn't seem to be any indication that the situation will improve without further government action.

The Chair: Thank you very much. We have approximately four minutes per caucus. I'll start with the official opposition.

Mr Caplan: Thank you, Ms Campbell, for your presentation. It touched on a number of areas, and I hope to be able to ask you a few questions about some of what you presented today.

What really struck me, first of all, was that back when Minister Al Leach made changes to the so-called Tenant Protection Act, it was claimed that within two years there would be the production of 10,000 new private rental units. Last year, I think there was something less than 500. This year, the business plan of the ministry is for 65 private rental units. They have a little bit of catching up to get to 10,000; by my figures, a little bit more than 9,000.

That 65, that's a serious number? That's what the ministry projects? That's what they expect the private sector is going to be adding to Ontario's rental housing stock?

Ms Campbell: And that's in low vacancy areas, I understand from the business plan. In creating that number, indeed, the government looked at the trends, and since the budget didn't offer any clear incentives to stimulate the construction of new rental housing, that's probably all that one can expect.

The building industry and the non-profit housing sector are in agreement on this issue, that without real support from senior levels of government to bring down the capital costs for the construction of housing, it is just simply not good business for someone to be in the business of building rental housing, and it will not happen.

Mr Caplan: It's clear that the Harris government agrees with you. Their projection says that's not the case, the mantra that the private sector will provide—obviously, in their own plans they acknowledge that won't happen. Hence the need for government action. I think you're absolutely right.

One of the areas of government action was this \$50 million of recycled federal monies to provide rent supplement units. Maybe you could expand a little bit on what that program has meant and how you foresee that rolling out.

Ms Campbell: A rent supplement is an income program that will bridge the difference between what a low-income person can pay as a percentage of their income and what the market rent is. However, in order to realize those targets, there have to be landlords who are willing to make their units available on a rent-supplement basis for low-income housing. If you look at the vacancy rate statistics in the province, they're extremely low in eight key areas, particularly in the GTA. Barrie is another extraordinarily low area, and we can name a number of others.

1750

What we have found in this situation—and I'll give Peel region as an example—is that they have existing contracts with private landlords. They had about 1,500 rent-supplement units. Due to cancellations, they've actually lost 65% of those units. So it's hard to imagine that where a rental market is heated and tight, someone from the industry is going to be very interested in making those units available on a rent-geared-to-income basis.

We need those rent supplements, but they need to be part of a stacked program. There needs to be an incentive for the construction of new rental units that will result in market rents at a reasonable level, at a market level that's reasonable, and then a low-income person needs a rent supplement to bridge the gap between what they can afford and what the market will produce. But the rent supplement alone will not do that.

Mr Christopherson: Thank you for the presentation. I think you may be the fifth group today that—

Interjection.

Mr Christopherson: No, it's good and bad. It's good that there are enough people active in the affordable housing community who made the effort to be here; it's bad in that every single presentation has pointed out the crisis we're facing in affordable housing.

Just a couple of things, because we don't have a lot of time. My colleague raised the fact that the government talks about how private rental units will take care of the need and fill the gap. We told them at the time that wouldn't happen. Every housing activist said that's not going to happen, and even some of the developers said that's not going to happen. And guess what? It didn't happen, and it's not going to happen for the reasons you've outlined.

The other thing they rest on is the notion of the rent supplements to private. Yet not only do you make the argument that this isn't going to fill the gap, but it's not even cost-effective. You point out the example in Lanark county, for instance, where—this is for the scattered houses that they are going to sell. Right now, the average monthly operating cost is \$159, and yet if you go to a private building, the rental supplement is \$376 and at the end of the day the public doesn't own anything.

Ms Campbell: Indeed. It's like the argument as to why you should buy a house, not rent it. Those are going to be high-cost subsidies, and at the end of the day you're not building up any equity.

Mr Christopherson: It's an important element because once it's paid for, you've got the maintenance you would have on any building, but beyond that the public owns it. So when one family finally gets themselves up on their feet or for whatever reason moves on, you've still got the unit there for another family that needs a unit.

Their method costs twice as much, gives the taxpayer at the end of the day nothing for their money, and that process is not enough to make up the need that we have in the province. I'd love to hear one of them defend, in

that context, why they're so damned proud of staying out of the affordable housing business.

I wanted to ask you, do you know—I didn't see it in the report and I don't recall a figure being mentioned earlier today—roughly how many people are on waiting lists right now across the province?

Ms Campbell: We don't have an exact number because the province no longer keeps those statistics which is—

Mr Christopherson: Sorry. The province doesn't keep them anymore?

Ms Campbell: It doesn't keep statistics of social housing waiting lists across the province.

Mr Christopherson: Did they used to?

Ms Campbell: Yes, they did.

Mr Christopherson: That's convenient.

Ms Campbell: But in our study, when we gathered the statistics in eight cities, it was 100,000 families. The Golden report did a very careful count in Toronto, and within Toronto, out of the people waiting there were 32,000 children on their waiting list. But those numbers are not collected in any central way at the moment.

It's a point on which we think the government clearly needs not only to set targets but to monitor the need, and there are fairly straightforward ways of doing that.

Mr O'Toole: Thank you very much for your presentation. Mr Christopherson is right: We have had a number of presentations referring to a similar study that I am very impressed to receive and understand. I also support the idea that shelter is an important fundamental in restructuring the individual in society and putting an anchor there; many reports say that. A strategic difference, I guess, was started in about 1992. The first devolution debates were in 1990. The federal Liberal government has just devolved all the liability, finally. Whether Ontario got a good deal will be seen. But we now hold all the liability risk. That is what they have done: They got out of the business. I would like you to comment on that.

More importantly, the province hasn't been in it aggressively. When Mr Christopherson's government was in it, everyone, including the industry, was criticizing them for spending on a per-square-foot basis, and the operating cost—people across the street and first-time homeowners were saying: "What's going on here? Who is paying for what?" And it is paid for by the hard-working taxpayers of Ontario.

What is the appropriate role of owning inventory or, what we have said, the shelter allowance subsidy issue? I'm not looking for the perfect formula here. But that's our theory: We're not going into the bricks and mortar—and neither is the federal government, by the way.

Ms Campbell: I think there is an opportunity to pressure the federal government and a great opportunity for matched programs and infrastructure programs. There is considerable interest.

The position of the government initially was to have a universal shelter allowance program, which was essentially to guarantee that people would not be paying more rent than they could afford. That's a very laudable goal

What we have always said is that if you have a shelter allowance program, you also need to have the supply in hand so there is enough competitiveness in the market so that you are not paying enormously inflated costs for your shelter allowance. In other words, you need some affordable housing stock to attach a rent supplement or a shelter allowance to.

We are certainly saying that supplement programs make a lot of sense, particularly in areas where there are low vacancy rates and you can do that match easily. However, in areas of the province where there is a chronic shortage of rental housing, that has to be matched with incentives to build affordable rental housing.

The other point we would make is that we want to see that relationship between the public investment and the

duration of affordability. In other words, if, as the Golden report said, there is a public capital investment of about \$40,000 per unit in Toronto, you don't want to see that be a nice windfall 10 years later for a developer-owner who participated in that program. You want to see that ongoing investment attached to some kind of permanency in affordable housing.

The Chair: With that, we are out of time. On behalf of the committee, thank you very much for your presentation.

The committee will reconvene tomorrow morning at 10 o'clock in this room. We are now adjourned.

The committee adjourned at 1800.

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Chair / Président

Mr Marcel Beaubien (Lambton-Kent-Middlesex PC)

Vice-Chair / Vice-Président

Mr Doug Galt (Northumberland PC)

Mr Ted Arnott (Waterloo-Wellington PC)

Mr Marcel Beaubien (Lambton-Kent-Middlesex PC)

Mr David Christopherson (Hamilton West / -Ouest ND)

Mr Doug Galt (Northumberland PC)

Mr Monte Kwinter (York Centre / -Centre L)

Mrs Tina R. Molinari (Thornhill PC)

Mr Gerry Phillips (Scarborough-Agincourt L)

Mr Toni Skarica (Wentworth-Burlington PC)

Substitutions / Membres remplaçants

Mr John O'Toole (Durham PC)

Also taking part / Autres participants et participantes

Mr David Caplan (Don Valley East / -Est L)

Ms Marilyn Churley (Broadview-Greenwood ND)

Mr Rosario Marchese (Trinity-Spadina ND)

Mrs Sandra Pupatello (Windsor West / -Ouest L)

Clerk / Greffier

Mr Tom Prins

Staff / Personnel

Mr David Rampersad, researcher,
Research and Information Services

CONTENTS

Thursday 3 February 2000

Pre-budget consultations	F-121
Mennonite Central Committee Ontario	F-121
Mr Brian Enns	
Mr Evan Heise	
Students' Administrative Council, University of Toronto	F-125
Mr Liam Mitchell	
Child Poverty Action Group	F-130
Mr Colin Hughes	
Dr Brigitte Kitchen	
Ontario Chamber of Commerce	F-133
Mr Douglas Robson	
Mr Atul Sharma	
Ms Carolyn Conner	
Elementary Teachers' Federation of Ontario	F-138
Ms Phyllis Benedict	
Putting Housing Back on the Public Agenda	F-143
Mr Alan Redway	
Toronto Disaster Relief Committee	F-147
Dr David Hulchanski	
Ontario Federation of Agriculture	F-151
Mr Jack Wilkinson	
Mr Ron Bonnett	
Mr Bill Mailloux	
Co-operative Housing Federation of Canada	F-156
Ms Joyce Morris	
Mr Michael Shapcott	
Ontario Undergraduate Student Alliance	F-161
Mr Ryan Parks	
Canada's Research-Based Pharmaceutical Companies	F-165
Mr Murray Elston	
Ontario Campaign 2000	F-170
Mr Pedro Barata	
Mr Ron Dancey	
Ontario Mining Association	F-175
Mr Patrick Reid	
Mr Peter McBride	
Ontario Non-Profit Housing Association	F-178
Ms Robin Campbell	

CA 2 10
XC 25
-F31



Government
of Ontario

F-6

F-6

ISSN 1180-4386

Legislative Assembly of Ontario

First Session, 37th Parliament

Assemblée législative de l'Ontario

Première session, 37^e législature

Official Report of Debates (Hansard)

Friday 4 February 2000

Journal des débats (Hansard)

Vendredi 4 février 2000

**Standing committee on
finance and economic affairs**

Pre-budget Consultations

**Comité permanent des finances
et des affaires économiques**

Consultations prébudgétaires



Chair: Marcel Beaubien
Clerk: Tom Prins

Président : Marcel Beaubien
Greffier : Tom Prins

Hansard on the Internet

Hansard and other documents of the Legislative Assembly can be on your personal computer within hours after each sitting. The address is:

<http://www.ontla.on.ca/>

Index inquiries

Reference to a cumulative index of previous issues may be obtained by calling the Hansard Reporting Service indexing staff at 416-325-7410 or 325-3708.

Copies of Hansard

Information regarding purchase of copies of Hansard may be obtained from Publications Ontario, Management Board Secretariat, 50 Grosvenor Street, Toronto, Ontario, M7A 1N8. Phone 416-326-5310, 326-5311 or toll-free 1-800-668-9938.

Le Journal des débats sur Internet

L'adresse pour faire paraître sur votre ordinateur personnel le Journal et d'autres documents de l'Assemblée législative en quelques heures seulement après la séance est :

Renseignements sur l'index

Adressez vos questions portant sur des numéros précédents du Journal des débats au personnel de l'index, qui vous fourniront des références aux pages dans l'index cumulatif, en composant le 416-325-7410 ou le 325-3708.

Exemplaires du Journal

Pour des exemplaires, veuillez prendre contact avec Publications Ontario, Secrétariat du Conseil de gestion, 50 rue Grosvenor, Toronto (Ontario) M7A 1N8. Par téléphone : 416-326-5310, 326-5311, ou sans frais : 1-800-668-9938.



LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON
FINANCE AND ECONOMIC AFFAIRS

Friday 4 February 2000

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

COMITÉ PERMANENT DES FINANCES
ET DES AFFAIRES ÉCONOMIQUES

Vendredi 4 février 2000

The committee met at 1002 in room 151.

PRE-BUDGET CONSULTATIONS

INSURANCE BUREAU OF CANADA

The Chair (Mr Marcel Beaubien): Good morning, everyone. If I can get your attention, we'll bring the committee to order. Our first presenter this morning is the representative from the Insurance Bureau of Canada. Could you please step forward and identify yourself for the record.

Mr Mark Yakabuski: Good morning, Mr Chairman. I'm Mark Yakabuski, the acting vice-president of the Ontario division of the Insurance Bureau of Canada. I'm first of all pleased to have this opportunity to appear before the committee this morning. I should note that I'm not a complete stranger to this building. My father sat in the Ontario Legislature for seven terms, and I frequently remember visiting here at Queen's Park as he sat in the Legislature and in his office, so it's a pleasure to be here this morning.

I really have three messages that I would want to enjoin you to consider as you make your recommendations to the Minister of Finance, and to the Legislature, of course, with respect to preparations for the upcoming provincial budget.

First of all, I think that as the province now moves into a virtuous cycle where one hopes that there will be budgetary surpluses for at least some years to come, debt reduction has to take on an importance that we have not accorded it in the past. I don't have to remind you that, as you scrutinized the Economic Outlook and Fiscal Review that the Minister of Finance brought down earlier this fall, you would have noted that the total provincial purpose debt in Ontario now stands at \$119 billion. That's a large figure. It is costing the government of Ontario \$9.3 billion in interest costs this current fiscal year. That's about one half, a little bit less than one half, of what the government is currently spending on health and long-term care expenditures, and significantly more than the government currently spends on education. So that to the degree that we are able to reduce the province's debt-servicing costs, that will leave the government with considerably more resources to dedicate to the problems that we know have to be addressed.

I want to say that Ontario, in our estimation, just as it has led the country in a vigorous tax-cutting campaign in some sense—I hope that the government would also now want to add debt reduction to that equation and essentially lead the country in trying to establish a co-ordinated debt-reduction strategy with the federal government and the other provinces. That way, we are likely not to have increased interest rate hikes by the Bank of Canada etc that will add to our debt servicing costs in the future. I want you to perhaps take seriously the issue of a national strategy with Ontario playing a leadership role in this respect.

The second point I want to impress upon you this morning is the need to continue to exert vigorous controls on spending. There's no doubt that the government has, over the past few years, cut certain expenditures. The need to control expenditures in Ontario was great, and we applaud the government for having done that. However, I note, for example, that, as mentioned by the Minister of Finance when he appeared earlier before this committee, expenditures this year in Ontario are likely to be about \$61 billion. Now, just two years ago expenditures were \$54 billion. That's a \$7-billion increase in just two years.

What I'm saying is that there is a great danger as we move into a surplus situation, human nature being human nature, that we will loosen the purse strings and there will be an attempt in many, many instances out there to increase that spending further. I simply say that there must be continuous and vigorous controls on spending, particularly as we move into a possible surplus situation.

If there are to be increases in expenditure, we believe strongly that they ought to be dedicated to areas that can clearly be shown to improve the province's productivity or, in the end, be shown to save taxpayers money.

I'll give you two examples. Most of the increases in expenditures over the past couple of years have been dedicated to health care, in particular, and education. We would not differ with spending more money on health care and education. I think the public believes that those services have to be strongly protected. However, we also believe that you have to bring some reform to the system and not just throw money at all the problems. That said, you have to be careful that you don't throw money at every problem out there.

The other thing I would say is that insurance companies are specialists in loss prevention. That's really the principal reason that I am here today. We try to reduce

losses so that we can keep premiums under control and make them affordable. What we note is that there are lots of liabilities that the government of Ontario faces—most of them are funded. We know that health care expenditures are going to go up in future years; presumably, you're going to make provision for that, as you do in other areas.

One area for which provisions have not at all been made is the whole area of paying disaster relief costs in the face of future natural disasters. Yet we know, based on virtually every climate study that has been made over the past five years—we know from a recent report put forward by the United Nations environment program, for example—that it is expected that severe weather events will become more frequent and more severe in the years ahead.

Ontario is not immune to natural disasters. We all lived through the ice storm of just two years ago. As of today, the government of Ontario and the federal government combined have spent about \$250 million on disaster relief to clean up from the ice storm of two years ago. That does not take into account the costs incurred by Ontario Hydro, nor the cost of bringing in the military to do a lot of that cleanup work. So that was a very expensive natural disaster. The fact that it cost insurance companies about \$1.5 billion is an aside, but the point is that there are large future liabilities out there for which no provisions have been made. I don't have to remind you—if you didn't experience it personally, your parents did or it's there in the history books—that Hurricane Hazel, in 1954, left 4,000 people homeless, 81 people dead and cost millions of dollars in damages. This sort of thing is very likely to recur in one form or another.

1010

What we have recommended at the Insurance Bureau of Canada is that all levels of government get together to essentially address this problem and in the end save taxpayers money. How? We approach national disaster reduction in this country by paying a great deal of money after the natural disaster strikes. As I say, in the ice storm case here in Ontario we spent about \$250 million. We could substantially reduce the costs of natural disaster relief if we invested money up front in preventive projects; for example, the building of dikes in areas that are subject to recurring flooding. Currently they're developing technologies; for example, in the case of the ice storm, cables on which ice would not collect, using different polymer surfaces and all that sort of thing. If we invested a little bit of money in some technologies in preventive projects, we could save substantially in the future.

Probably the very best example of a preventive project that has saved millions of dollars over the years is the Winnipeg floodway that was constructed in the late 1950s and 1960s, again a joint effort between, in that case, the Manitoba government, ie, the provincial government, and the federal government. It cost about \$63 billion at the time. It has been used 17 times since it was opened and it has literally saved billions of dollars in

flooding costs that otherwise would have hit the city of Winnipeg.

That's just one example. There are many examples that we could use here in the province of Ontario where by investing a small portion of money up front we would reduce the liabilities of the provincial government and other governments in addressing natural disasters. I want to enjoin you to take that seriously. You have a major unfunded liability out there and it's better to address it now than to wait until after the storm comes.

My third message is simply this: Ontario has made great strides in reducing personal income taxes. We believe that should continue as the budget allows. However, it's also time, as Ontario moves into a more virtuous fiscal cycle, to make sure that our corporate income tax is more competitive. We would ask that the province undertake a review of corporate income taxes in the province to make sure that they are competitive with our most competitive jurisdictions. As part of this, as part of a general corporate tax review, we would encourage the government to look at some of the taxes that are laid on financial institutions in this province and in particular the property and casualty insurance industry.

In particular, I would like to simply recount for you how it came to be that auto and property insurance is the only financial service taxed in this province at the retail level. There are no other financial services that are taxed at the retail level, and that's for a very good reason. Nowhere in the world, except in some provinces in Canada, are financial services taxed at the retail level. Why? Because financial institutions pay large amounts of money in capital taxes, in premium taxes, in payroll taxes and in corporate income taxes, all of these before the product is delivered to the consumer.

In 1992 the previous government here in Ontario, basically as a means of generating quick and easy revenue, applied the provincial sales tax for the first time in history on property and auto insurance. That tax is now generating for the province approximately \$600 million a year. It's very simple: That simply adds \$600 million a year to the cost of property and auto insurance in the province, which already in some cases is a product that is not affordable.

I would ask you to take a look at that tax, which was introduced for purely revenue-generation purposes and is not consistent with the principle that products should not be taxed twice and three times, and take into account the large amount of premium tax that property and casualty insurers are already paying in Ontario, provincial income taxes, PST on the claims we pay out to rebuild homes, to repair cars. We are paying an additional \$600 million already to the province of Ontario, as I say, on that traditional tax base. I'd like you to at least take a look at why you singled out property and casualty insurance for a retail sales tax that does not apply to other financial services.

In summation, I simply want to impress upon the committee the need to commit the province to a solid debt reduction strategy, to control spending vigorously in

the months and years ahead, to make provisions for future natural disasters that represent a huge unfunded liability at the present moment and to ensure that our corporate income tax system is more competitive.

The Chair: Thank you very much. We have approximately four and a half minutes per caucus. Since the third party's not here, I'll change the rotation and start with the government side.

Mr Doug Galt (Northumberland): Thank you very much for an interesting presentation. I do appreciate some of your thoughts and concerns. A couple of questions, but first, as you mentioned the debt—and you're really concerned about it—in the beginning of your presentation, I want to bring to mind what's going on. At the end of this year, predicted almost a year ago, \$121 billion would be the debt. Looking at the end of our first year, because I don't think we can be blamed for 1995-96, the debt at that time was \$101.396 billion, the difference being \$19.82 billion. Now if you take off the Ontario Hydro debt, which has been rolled in there, the real increase of government activity has been \$10.9 billion.

What I think is interesting—and I hear from the opposition, "Oh, this tremendous increase"—is that if you really looked at and wanted to look at the extreme from our side to lobby, you could say we started with \$101 billion, plus \$30-plus billion from Ontario Hydro, being \$130-plus billion and we're coming out at the end of this year at \$121 billion. We've actually cut the debt by \$10 billion. That's the kind of creative mathematics the opposition has. I just thought I'd be a little creative and point that out.

Interjection.

Mr Galt: You see Mr Phillips really enjoying that, but it's all—

Mr Yakabuski: Yes, right.

Mr Galt: If we were to follow the red book predictions in 1995, I can tell you the debt would be a lot more because it said so in the red book. Everybody who comes in wants to spend more, so obviously we know where we'd go.

I have two questions. One relates to insurance rates and what do you do with your rates to promote the kind of prevention you were talking about. I know on poultry barns, for example, your rates are different if there's a generator, but what about my home? If I have a generator, would that give me lower rates?

Second is the retail sales tax on property and car insurance that was brought in by the previous government. If that was removed, the government would lose \$600 million—your figures—how many jobs would be created in Ontario?

Mr Yakabuski: Good questions. First of all on the debt, I don't want to say that the government has contributed immensely to this debt. I think your figures make a strong argument in that case. What I'm simply saying is that having addressed the tax side vigorously, if we continue to control spending—and we applaud you for that—let us not forget that we still have a large provincial debt on which we have to pay debt-servicing costs. Those

debt-servicing costs are very large and therefore the third part of the equation should be addressed. That's all I'm saying. I think there's probably going to be a bit of room in future budgets to be able to do that, and I'd ask you not to forget that.

Mr Galt: I just had to get that on the record.

Mr Yakabuski: I understand that. With respect to what we're doing for natural disasters, first of all we pay out a huge amount of money to help people recover from natural disasters. As I said, in the case of the ice storm the property and casualty insurance industry paid out almost \$1.5 billion—more than all of the governments combined. But what we do is this: First of all, you're rated on where you're located. For example, in cities or in rural areas it's to what degree are you close to a fire hydrant or to what degree do you have a proper municipal fire service in your locality. These things bear on the premium that you will pay.

1020

Most farm insurance policies in this province are provided by farm mutual insurance companies. I do not represent the farm mutual insurance companies. Most of these are old companies that have grown up over a century and more. I think what we found in the course of the ice storm was that a lot of farmers out there had pretty bare-bones insurance policies. When you come to agricultural and commercial insurance policies, there is no one policy that is the same. It's essentially a negotiation between you and your broker. What kind of coverage do you want? what kind of coverage do you think you can afford? To the best degree possible we try to rate on the basis of what we think the future risk is going to be.

I would simply say this: As the evidence mounts that there are going to be more frequent and more severe natural disasters, we can expect in the future pressure on insurance rates, particularly at the property level, to reflect the fact that that risk is probably going to go up.

Mr Galt: How many jobs are we going to create in—

Mr Yakabuski: In terms of jobs, we haven't done a—

Mr Galt: That really sells to the Treasurer.

Mr Yakabuski: Exactly. That's a very good question. We haven't done a complete calculation as to how many jobs would be created in Ontario if we got rid of the PST, but I can tell you this much: Give me about a month and a half and I hope we're going to have a study completed that will answer that question.

Mr Galt: Maybe for this budget we need it a little quicker.

Mr Yakabuski: Well, if we can do it more quickly, we can. It's an excellent question and we'll get back to you on that.

Mr Gerry Phillips (Scarborough-Agincourt): Just on the debt, I deal in the real world. When the government came in the debt was \$88 billion and today apparently it's \$119 billion. They can say, "We had nothing to do with that first year," but actually the revenue came in higher than the NDP had estimated. The government has control of expenditures. When I go to the bank, a dollar is a dollar. The only reason the debt went down a little bit

over their estimates was that they delayed cash payments this year of about \$2 billion.

Be that as it may, the first issue I wanted to raise with you is that I think some people, when they look at the finances of the province, aren't aware—and this is into detail now, because you mentioned it in your opening remarks—that many of the expenditures that are recorded this year really are offset by revenue in the budget. So when you talked about the expenditure increase, it really isn't. There's about \$3.5 billion there that is not a new expenditure increase. Some \$2 billion is something called local services, where the province continues to deliver services for the municipalities but they charge the municipalities for that because they plan to hand that over to them. So it's just an offset; it's not really an increase in expenditures. The \$500 million for Ontario Hydro is a new expenditure but completely offset by revenue. And the capital budget is \$2.9 billion but the government has already said that over the next four years that's going to drop by at least \$1 billion a year. That was a one-time extra infusion.

When you're comparing the expenditures—because I think in your opening remarks you suggested that expenditures are up substantially—there is about \$3.5 billion that is, in detail, not really net incremental expenditures, but that probably is more detail than we need to get into.

My question is on one of your major proposals, and that is the removal of the tax on premiums, which by the way is one of the key reasons why it's more difficult to blend the GST and PST in Ontario, as you know. Your first recommendation on finances is to reduce the debt.

Mr Yakabuski: Yes.

Mr Phillips: Is it your recommendation that the debt reduction comes ahead of removing the tax on your insurance premiums?

Mr Yakabuski: I think there's a way of staging those two things in such a way that you can achieve both. I've not given you a time frame within which you might want to address those two objectives, but I think, given the revenue growth we are currently seeing in Ontario, it's not unrealistic to think that we could remove that PST on property and auto insurance and still get around at some point to reducing the debt somewhat. So I think these objectives, timed properly, can be achieved, but I appreciate your point that this takes a concerted strategy and that you have to do this probably over a staged basis.

Mr Phillips: As you probably know, the government has already made three major commitments on the "fiscal dividend," the roughly \$5-billion tax cuts. Future tax cuts have been announced, about \$500 million a year on debt reduction for a total of \$2 billion over the next four years, and about \$2.5 billion on health care. So the future fiscal dividend that you may see on the horizon, you're a little bit late getting to the table because—you're not too late but you're later than those other three commitments that already have been made by the government, and that's the basis on which they got elected.

You make, in my opinion, a very good point on investments in minimizing damage done through future

disasters. I wonder if you've had a chance—this is one of your chances, but there is the SuperBuild fund, and it seems to me, at least as I listen to you, there's some logic in your arguments. Have you had an opportunity to date to make this same case to the—I guess he's now called the president of the Ontario SuperBuild Corp, Mr Lindsay?

Mr Yakabuski: We have not had a chance yet to pitch this idea to the president of the SuperBuild corporation, but we certainly are looking forward to that opportunity. I have communicated with every member of the Legislature in the last couple of months, since I took on my duties, to begin a dialogue on natural disaster reduction, which, as I have tried to explain, is really a cost-saving measure in the medium to long term.

I think the attention the province hopes to give to additional capital spending may be an opportunity for us to impress upon some of the decision-makers that when you are deciding infrastructure plans, it would be very wise and economical on your part to take into account the idea that if we had some projects out there that addressed the vulnerability of communities to natural disasters, these infrastructure projects would prove to be very, very cost-effective.

We are not talking about huge sums of money here. Really there are two ideas in our proposal. One is that a fund, in some respect, should be created in concert with the various provincial governments, with Ontario taking a leadership role in co-operation with the federal government and with the participation of the municipalities as well to create a fund that would see the Ontario government, for example, contributing about \$20 million a year to the building of certain projects that are related to natural disaster prevention. Now, \$20 million is not a huge amount of money.

The second idea is picking up from what they do in the United States. When a natural disaster of any size hits a community in the United States, after they have finished the cleanup, they assess what those cleanup costs were—say they were \$100 million, for example—and they immediately allocate 15% of those cleanup costs to prevention projects to ensure that a similar kind of natural disaster would not wreak the same amount of damage in the future. So if you have a disaster that costs the government \$100 million, immediately \$15 million are allocated to prevention projects and you get that work underway immediately. We think an idea of that sort should be adopted here in Ontario and elsewhere in Canada.

The timing of this is opportune in the sense that the disaster relief formula between the provincial and federal governments is currently up for renegotiation. This would be a very good time to get some of these ideas built into the disaster relief formula.

The Chair: Thank you very much, Mr Christophererson.

Mr David Christopherson (Hamilton West): Thank you for your presentation. I note that you placed a fair bit of emphasis on the tax that was introduced in 1992 dur-

ing the NDP government, which of course I was a member of. I actually joined the cabinet that year. Let me say to you that, first of all, I make no apologies for the fact that we did that, none whatsoever. Of course, 1992 was the depth of the worst recession we had seen since the Depression of the 1930s. This government has been in power for five years now and has brought in a budget every year, and they've deemed it necessary or decided to leave it in place.

1030

Even their phony balanced budget legislation provides that at a certain point it's okay to run a deficit because you're in such dire financial straits. It turns out that 1992 is the only year where we crossed that threshold. So even under the Tories' phony balanced budget legislation, 1992 would be a year where, even with their hard right-wing ideology, they would run a deficit rather than eat into health, education, social services, environmental protection, all the things that we maintained.

Also, we know now from looking at StatsCan figures that during the Tory regime, where we've had the biggest economic boom in the history of North America, the gap in terms of the income of the very wealthiest and the poorest is greater now than it was during the worst recession, at a time when you would think that would be reversed.

So there are different points of view, different approaches to these things, but personally I think we made the right decision. We did everything we could to maintain the health care system that the Tories are now tearing apart. We did everything necessary to maintain our education system and its infrastructure, the very system that the Tories are tearing apart. The same with environmental protection, social services. In times of a deep recession, you've got to find the money to do that or you slash the services. I think that's a whole hell of a lot better than right now, where we've got this boom, we're awash in money, the economy is just blowing all records, driven mainly because of the American economy, and horrible things are happening in society and yet corporate profits are up.

So when someone like your organization looks back and says, "They introduced this tax just to generate money," yes, we did, absolutely. We did it to maintain those things that make this a strong, great place to live. Under traditional Keynesian economics, which I know don't carry a lot of currency in some quarters these days, the idea would be that you would take whatever measures necessary in a recession and then in a good time you start to pay down that debt, eliminate the deficit and, if necessary, go back and change some of the revenue-generating measures you took.

Rather than give you the relief you think you should have, this government has chosen to give this tax cut that the very wealthy benefit from, and there's \$5 billion or \$6 billion there. They could have used some of that to eliminate the \$550 million that your report says comes into the provincial coffers. While no one likes to be taxed, I would suggest that if you look at the times we

were in and the sorts of things that we made priorities, the fact that the Harris government has chosen to leave that in place in good economic times says to me you've got an uphill fight on this one. If it was that outrageous, I would have thought that the Tories, rather than giving \$5 billion or \$6 billion just to the very wealthy in Ontario, would have come to you and said, "We're going to take some pressure off you here."

Mr Yakabuski: If I could respond to that question, first of all, I appreciate your recounting the circumstances in which this tax was brought in. I take it from that that you recognize it was brought in as a revenue-generation measure. At the very same time the government had its so-called Fair Tax Task Force in place, our industry was in effect singled out because it was an easy way of generating cash immediately.

Clearly, we are no longer in a deficit situation, in the months to come at the very least. We are no longer in a recession. Therefore I would simply enjoin this committee to take a look again and say, "Are there other financial services that are being taxed out there?" There are not. Therefore, on what basis can you justify this tax remaining in place?

I should say that this is not the first time we have raised this question. This has been a part of our submission to the government in one respect or another ever since this tax was introduced in 1992.

The Chair: On behalf of the committee, thank you very much for your presentation.

Mr Phillips: Just as you're leaving, you mentioned here the increasing number of natural disasters. I wonder if you might provide the committee with any kind of evidence of that. That's very interesting, to me at least.

Mr Yakabuski: We will provide information both internationally and within Canada to show the increase in cost both in total numbers and the cost to government in repairing natural disasters.

YONGE/BLOOR/BAY ASSOCIATION

The Chair: The next presenters are representatives from the Yonge/Bloor/Bay Association. Could you please step forward and state your name for the record.

Mr Doug Jure: Good morning. My name is Doug Jure. I'm a director of the Yonge/Bloor/Bay Association. Next to me is Norman Bergstein, who is the president of the association, Next to Mr Bergstein is John Feeley, who is an honorary director of the association.

On behalf of the officers, directors and the membership of the Yonge/Bloor/Bay Association, I thank the committee for scheduling our presentation this morning as part of your pre-budget consultations.

By way of introduction, the Yonge/Bloor/Bay Association was founded 80 years ago and is recognized as Canada's oldest business association. There are approximately 4,000 businesses and some 33,000 residents within our association's boundaries. The YBB represents their rights and interests before the city of Toronto, the Ontario government and the federal government.

Our association's achievements include siting the Bloor-Danforth subway line through Yorkville to promote business development; establishing the largest business improvement area organization in Canada to promote and strengthen the appeal of our community; and bringing the Toronto International Film Festival to Bloor Street to broaden our community, social and cultural activities.

Our purpose here this morning is to talk to you about property tax reform—current value assessment—in terms of the Ontario government's fiscal policy. There's no better forum than this committee engaged in consultations that are an important part in drafting the 2000 Ontario budget.

We intend to argue that the Ontario government must take steps to correct systemic problems in the Ontario fair assessment system as it relates to commercial properties and that it must recognize that the property tax rates supplied by the city of Toronto have created a tax liability that will drive landlords out of our community and with them retailers who are important to the social fabric of our city.

Although our membership stretches from St George Street in the west to Sherbourne Street in the east, and from Alcorn Street in the north to Wellesley Street in the south, our community is most often referred to as Yorkville. As Canada's premier shopping district, our retailers, contrary to popular belief, are experiencing challenges not unlike those of other retailers in Toronto and in your own constituencies.

It's just after 10:30. Our retailers have been open for over a half an hour. It's another day in what is typically a six-day workweek. Business hours are usually from 10 am to 6 pm on Mondays, Tuesdays and Wednesdays, from 10 am to 8 pm on Thursdays and Fridays and from 10 am to 5 pm on Saturdays. Additional hours are spent on planning promotions, taking and ordering inventory, managing staff and collecting and paying taxes. Our member retailers spend an average of 60 hours a week at their work for very little profit.

We recognize that Yorkville's reputation precedes us. Repeatedly described as the tony or upscale shopping district, the image masks the serious problem that no doubt is being repeated in downtown shopping districts in your own constituencies.

Not unlike communities throughout Ontario, Bloor-Yorkville evolved to what it is today because of a mix of commercial and residential developments. Three decades ago, several of the little buildings along rundown Yorkville Avenue were converted into coffee houses and became Toronto's locale for a new generation of folk singers, notably Joni Mitchell, Neil Young and Gordon Lightfoot. Their audience, the hippies, were drawn to the district. They moved into the old village's rooming houses and brought new life to the district. The first major traffic control problem was resolved by the police who kept Yorkville open despite resident hippies' intentions to close the street and for awhile an emergency medical trailer opened for business every summer day in

a nearby parking lot to cope with acid trips gone wrong. Those were the most significant events since Toronto had absorbed the village of Yorkville in 1883.

Today, Yorkville is an eclectic blend of restored Victorian houses and world-class hotels. The main streets of Yorkville are busy city arteries, overwhelmed by pedestrians, cars and delivery vans. Yes, Yorkville has the highest concentration of hairdressers, plastic surgeons and international movie stars in Canada, all of which, no doubt, are related.

The Hudson's Bay Centre, the Holt Renfrew Centre, Cumberland Terrace, Hazelton Lanes and the Manulife Centre are all major retail centres in our community. Bloor Street, from Church Street on the east to Bedford Road on the west, is home to leading Canadian and international retailers. Throughout Yorkville, small independent retailers carry out their business in a variety of renovated buildings ranging from restored Victorian houses to low-rise buildings on Cumberland and Scollard Streets and on Yorkville Avenue.

1040

Despite a strong economy—the popular perception—there is little by way of new commercial development in Bloor-Yorkville. For instance, Birks opened its renovated store in the Manulife Centre just before the Christmas retail season. The Gap opened its renovated and expanded store on the northeast corner of Bloor and Bay Streets. Cartier opened its new store at 130 Bloor Street West. The office building formerly occupied by Crown Life at 120 Bloor Street East is undergoing a complete renovation. Plans are underway to construct an 11-storey hotel at the northwest corner of St Thomas Street and Charles Street West. Construction is underway at 110 Charles Street West for McKinsey and Co's Toronto offices. Only two of those projects involve new construction. The others are merely renovations. In reality, what you are seeing when you look north from this building is condominium construction. Nine condominium projects are in the final planning stages or have construction underway.

Although the YBBA welcomes the initiatives of the province and the municipal government to support business growth through their fiscal policies, the implementation of current value assessment on commercial properties, if left unchecked, will undermine those policies and drive retail businesses out of Bloor-Yorkville, Canada's premier shopping district. The YBBA understands the decision taken by the Minister of Finance in October 1998 to limit property taxes on small businesses to no more than 10% in 1998 and 5% last year and this year, to be an interim step. The resultant three-year cap of 2.5% implemented by the city of Toronto in effect delayed the application of a tax liability that will diminish our members' capital assets and render their businesses unprofitable. The commercial properties on one street alone, Cumberland, face a multi-million-dollar future tax liability. The total 1998 Cumberland Street commercial property tax without the 2.5% cap is \$7.8 million, \$5.1 million more than what was paid in 1997.

The substantial and intolerable pending tax liability is made more difficult to accept because our members are enduring reductions in municipal services, often with fees attached. Garbage collection is an example. Other examples include fewer police services, limited snow removal, less park and street cleaning and less access to municipal planning services. In these circumstances, how can the differential between residential and commercial mill rates go from 15% to a differential between residential and commercial tax rates of 555%?

For many businesses where income taxes have become less a concern as a consequence of dropping profits, property taxes have taken up the slack and in general have grown to represent a relatively important tax burden for many corporate ratepayers. Today property taxes represent the highest single expense to a business, often over 50% of its operating cost.

To best illustrate our point, here is what has happened to a member of our association. She is a fashion retailer whose family owned the building at 18 Cumberland Street. The charts you have in the document before you, which we will go over in a moment, reveal the impact of commercial property tax reform since 1997. As you will see in a moment, if the 2.5% cap had not been applied, her property taxes, including the business improvement area levy, the BIA levy, would have increased by a total of 538%. You will note that even with the 2.5% cap, the BIA levy remained unchanged from the original 1998 assessment. In the first instance, no retailer can absorb a 538% increase in commercial property taxes. In the second instance, the 2.5% cap was not fully implemented, because the BIA levy was unaffected.

In your documents you will see these very simple calculations. This was provided to us by our member. In the first box you will see that in 1997, under the old system, a realty assessment of \$8,800 applied to a mill rate of 529.51 gave a cost of roughly \$4,400. The business occupancy tax was set at \$2,640 and the mill rate was applied, for a figure of some \$1,398. The BIA levy of \$112.20 was attached. So in 1997, before the reform was introduced, her total property tax bill, including the BIA levy, came to \$5,970.

When the reform came in in 1998—and this was without the cap—her building was assessed at a value of \$414,000, with which she has no complaints. That is what, if she was going to sell the building, she would expect to get. But the municipality applied a tax rate of 7.6% and suddenly the figure is now \$31,640. The BIA levy, which I mentioned earlier, came in at \$433.59, for a grand total of \$32,074—a substantial increase from the previous system.

When the cap was introduced by the government and applied by the municipality, the calculations dropped her assessment down to \$6,004, but the BIA levy was not capped and came in at \$433, for a total expense of some \$6,400.

You'll see also in your presentation this chart, which is a more visible example of what happened. This is what happened in 1997. You can see there is also the business

occupancy tax. When the reforms were introduced, you can see the tremendous increase in her assessment and then what happened with the adjustment. The question that we have of course is, where did the business occupancy tax go? It appears that it is blended into the assessment.

The other point I'd like to make is that the difference between these is probably one retail job. That's the impact the system has had on that particular member.

The other question that we want to raise is fairness. The manner by which the current system is being implemented raises that question. The Ontario Property Assessment Corp, OPAC, has established medians to be used by assessors when evaluating properties. We understand that these medians are 0.032, 0.050, 0.059, 0.068 and 0.088. These medians, in effect, identify discrepancies in assessments and, in doing so, raise the question of fairness. The following chart illustrates this point by comparing the 1997 and 1998 assessments in determining the ratio for 10 commercial properties on Church Street. This chart you have in your document. These properties, by the way, are converted rooming houses currently leased for a variety of commercial purposes ranging from convenience stores to restaurants and bars. Simply what we're saying here is, if you take the ratio on these properties, you'll see that the majority of them are outside the median of fairness.

Our intent was to argue those two points with respect to commercial property tax reform and its impact on our retailers and their ability to carry out business in our community.

First, the Ontario government must take steps to correct the systemic problems in the current commercial property assessment system as it is being applied by OPAC and the city of Toronto. Second, the Ontario government must recognize that the property tax rates applied by the city of Toronto have created a tax liability that will drive landlords out of our community and with them retailers who create jobs and are so important to the fabric of our downtown.

Therefore, the YBBA recommends that the provincial and municipal governments, through the Ontario Property Assessment Corp, undertake the following: first, assess all commercial properties on current use with respect to building character, function and usage; second, implement the 2.5% cap for a further three-year period based on evaluations during the 1996 base year; third, establish a property class for retail businesses; fourth and finally, modify the manner and the methods by which assessors conduct their evaluations.

Our association welcomes the finance minister's announcement in the May 1999 budget and his November 30 financial statements that the Business Tax Review Panel will examine the current personal, corporate and property tax systems for their impact on the capacity of business to create jobs. We believe that the panel will come to the same conclusion as we have: that commercial property tax reform, as it is currently being applied, will drive retail businesses out of Bloor-Yorkville, to the

detriment of not only our community but downtown Toronto as well.

Those are our remarks, and we're prepared to answer any questions.

1050

The Chair: Thank you very much. We have approximately three minutes per caucus for comments or statements or questions. I'll start with the government side; Mr Arnott.

Mr Ted Arnott (Waterloo-Wellington): Thank you very much for your presentation. I'm not sure I fully understand the point you're making with respect to assessments by the Ontario Property Assessment Corp establishing medians used by assessors when evaluating properties and then you list the medians. Can you explain to me further what that means and how it affects you negatively?

Mr Jure: Sure. I'll ask John Feeley, who in fact did the research.

Mr John Feeley: I recently had an appeal before the assessment appeal board and the assessor representing the corporation brought up the matter of ratios. I didn't at that time quite understand what he was talking about, so I went back to my office—I happen to be in the real estate and insurance business; have been for 50 years. These were the figures he presented, the different ratios he brought up. I went back to my office the next day—my office is two blocks away from here at Church and Wellesley and has been for 40 years—and worked out the ratios.

The whole purpose of the reassessment was to level the playing field, but obviously, if you look at these figures here, it has merely perpetuated the inequality. If you look at these particular properties—and this is only 10 or 12 out of thousands, not only within this area here but it probably applies all over Ontario—certainly this is dramatic. These particular properties were previously rooming houses. They were four storeys, those old-style houses where the main floor was about eight or 10 steps above the street level. The person who owned them redeveloped them, put four steps down into what was the basement, and therefore this particular level became the main commercial. In the normal context of a commercial property, this would be the main income-producing level. The 10 steps up, as compared to four down, became a secondary, and the third and fourth storeys were used for either offices or residences.

But what was the basement area and the main floor are the two income-producing levels. Imagine the scenario that the income-producing ability of these properties as a rooming house was nominal; therefore the low assessment in those days. Somewhere along the line—how these people got building permits to convert them into commercial properties without going through the process to be upgraded I'll never know. When the new system came in, whether they do it in the office—I don't think they could have done it on-site, otherwise a blind man would have noticed something was wrong.

At any rate, from a competitive standpoint—I'm a landlord as well, and a businessman. I'm up the block, overpaying taxes for 40 years, but I have to sit there and watch this property down the street operating for a fraction of my cost. That's where the inequality comes in. In another case at another building up Church Street, somewhere along the line somebody added on 30 or 40 feet to the back of the building from the basement right up four storeys high; it was never reassessed, and that person has had the revenue from all these years from all that additional space. Since the reassessment—the person has sold the property and he's gone now, but he had all his good years so he was happy, but anybody else in the area that saw that or knew it would have been most unhappy.

Mr Phillips: I appreciate your presentation. Just a comment on the BOT, that it was planned to—that's what the government said would happen, that the business occupancy tax would be added on top of the old realty tax. What you see here—your example's a good one. In the one you used, that person was paying 30% business occupancy tax. The average business occupancy tax in Toronto was 45%, because the banks were paying 70%, small business was paying 30%; it got averaged into 45%, and ipso facto, or whatever the right term is, small business paid more and the average bank tower was going to save \$5 million a year in taxes before the cap came in. So it shouldn't have surprised your organization; in fact, I think the minister himself said that's what was going to happen.

My question is that one of your proposals here is establishing a retail class, I think you said.

Mr Jure: If I could just comment, I don't think it was always very clear. With all respect to the minister, what the minister might say and then what we actually see and hear and have happen to us in dealing with the assessment community can be confusing, and it has raised confusion. In terms of what the public policy is and what we're actually experiencing at the doorstep, it could be confusing and different. That was our point.

Mr Phillips: Well, you said what happened to the BOT units—as I say, it simply got added in. It's not very pleasant, but that's what happened.

My question is about your third recommendation, to establish a property class for retail business, which is a very interesting idea and I'd like to pursue it. How would that work where you've got a retail business in a larger piece of property? Let's say you've got two identical businesses competing with each other, whatever they are—Harvey's. One is in a free-standing building; one is in a larger building. How does your recommendation work to establish a retail class?

Mr Jure: John, I'll let you answer that.

Mr Feeley: To establish a retail class, if you've got these properties side by side—I happen to be a commercial property owner, and it doesn't function like this any more, but the way it used to was that every summer an assessor would come to my building and he'd look through the building to check that the same tenants were

there, the same amount of space. I'd take him right through the building and everything was fine.

Yorkville might be a classic example of what you're talking about, because there's one building I'm thinking of—there are probably two or three of them along there, very large buildings that have a tremendous number of commercial establishments in them, and you might next door or a couple of doors away have a three-storey building. It becomes tricky. The proposal would have to be for anything below maybe four or five storeys in height. I don't think this proposal would be intended for, say—when they redevelop Maple Leaf Gardens I'll be very surprised if they don't have a commercial complex, possibly in the sub-basement, like when Eaton's College Street was redeveloped years ago, and commercial entirely on the ground floor. You've got a 30- or 40-storey building above it with the tenants supporting the businesses within.

But in this case, if you take Yorkville, where you have two buildings, a relatively new one with, say, a restaurant in it, and right next door you have a privately owned three- or four-storey building with another restaurant, the business that each of these two businesses is going to do is reasonably comparable, because in the final analysis the management of a restaurant determines whether it does really well or really poorly. But physically you've got them virtually side by side, so I don't think there should be a dramatic change in that regard. In the case of a high-rise building, which I think you're talking about, our proposal is that if a new class comes in, presumably the new building would be entitled to the same. Did that make sense?

Mr Phillips: Yes.

Mr Christopherson: You would know that this whole boondoggle was expected, given the fact that the government rushed the whole CVA in so quickly without thinking it all through. I'm sure you're aware that after the initial bill was introduced there were six more bills necessary to try to fix the mistakes of the first bill, and then the subsequent bills to correct the mistakes in the bills that were in there to correct the bill in the first place. I mean, it was just bizarre. Unfortunately, it's not just a stand-up comedy routine. It affects a lot of businesses.

Just to show how complicated this is, in my hometown of Hamilton, downtown Hamilton and Westdale, where we have two very distinct commercial areas, the imposition of the cap negated the one benefit that small businesses in my riding got out of CVA, which was that overassessed properties in downtown Hamilton, in Westdale, were finally going to get the reduction they deserved. The cap prevents them from fully realizing all the savings that they're entitled to, and it's affecting business. We're still losing businesses out of those areas because our taxes are not competitive with neighbouring communities like Burlington, for instance, and ultimately Oakville. It really is a dog's breakfast.

1100

I wondered how your proposal would impact on those small businesses, say, in my community of Hamilton.

How would it impact on those that are in the reverse situation of where you are? I appreciate that you may not have thought it through, because it's not your situation, but I wondered if in studying this you'd come up with how that might affect places like Hamilton.

Mr Norman Bergstein: I'll try to answer that question. I would agree with you. Going back to your preamble with the business occupancy tax, which Mr Phillips had talked about before, it's the implementation that is really hurting here. It's a big problem. With the Ontario assessment corporation, there's supposed to have been AVA, actual value assessment; then it went into CVA, current value; and now it's the highest and best use. So this is really broadening, and you're getting the Ontario assessment corporation giving it that broad view. They're there almost as if they are going to get some benefit for it—I don't mean that in that way, but it's raising all these values.

Our area is feeling the effect of it and the problem comes back to—I think Doug had mentioned the value of the property in question that we're talking about, which had been in the family. The mother owns it, but she had been this small little retailer and she had been there likely 40 or 50 years before her daughter, who has been there 20 years. But \$425,000, you'd say, "That's likely the right value. She'd want that type of money." But nobody out there is going to buy it because of the situation when the business occupancy tax is unknown, so the real value may be \$275,000 or \$300,000, but there's not a value and you can't implement that. So going back, my wife is from where you're from, so I am aware of downtown Hamilton, and Westdale a little better. What can you do with that? It's hard to say, because there weren't corresponding benefits, and frankly I wasn't aware that there was a cap in place at—

Mr Christopherson: At the other end of it.

Mr Bergstein: And where do you go? I think they have to rethink this through.

Mr Christopherson: Absolutely.

Mr Bergstein: At least the cap kept everything in proportion so there wasn't a dramatic shift. There wasn't a 535% increase going on in some properties but other properties are saying—at the end of the day it was supposed to be revenue-neutral; some would go up, some would come down. But what was going to happen—and this I guess is the other side of it. Maybe we're too insular. We're looking more in our area, which covers a wide spectrum, and not just Yorkville, but Church Street and everything else—

Mr Christopherson: That's fine. So you should.

Mr Bergstein: You're hearing horror stories: People put properties up for sale. There's no sale; they're not going through. I think they have to look at both, and I think this what the government may have wanted, in terms of the local municipality to apply it or not apply it as it affects their area.

The Chair: On behalf of the committee, thank you very much for your presentation.

EARTHROOTS

The Chair: Our next presenter this morning is from Earthroots. Could you please step forward and state your name for the record.

Mr Kyle Ferguson: My name is Kyle Ferguson. I'm a campaigner with Earthroots.

The Chair: Welcome on behalf of the committee, and you have 30 minutes.

Mr Ferguson: Well, I probably won't need that long, but we'll see. As I said my name, is Kyle Ferguson and I'm a campaigner with the environmental organization Earthroots, and on behalf of Earthroots I'd like to thank the committee for giving me the opportunity to come here and speak with you today.

As you may be aware, since 1986 Earthroots and our predecessor organization, the Temagami Wilderness Society, have worked towards the preservation of Ontario's old-growth forests, and while we've not left behind this issue, over time we've expanded our mandate towards the preservation of other threatened ecosystems throughout Ontario. During this government's Lands for Life crown land use planning process, our organization played an active role in mobilizing the public and pushing the government for more protection. Although we were highly critical of many of the decisions that were made during the process, in the end we felt that it was a good step forward towards ensuring that wilderness areas will remain wild into the future.

The reason that I am appearing before you today is to encourage this government to continue the process of protecting threatened ecosystems into their second mandate. As I am sure the committee members are aware, there are precious few natural areas left in southern Ontario, and this is due largely to the growth of urban areas into areas that had previously been considered "the country." As urban sprawl continues to expand, the stresses on these remaining ecosystems will only be increased.

The most striking example of this problem is the growing crisis on the Oak Ridges moraine. This area, which lies just north of the city of Toronto in a 160-kilometre stretch from the Niagara Escarpment in the west to the Trent River in the east, represents the largest area of wooded habitat in the greater Toronto area. Often called the rain barrel of southern Ontario, it contains the headwaters of more than 30 rivers, including the Don, the Humber and the Rouge. It also serves as the breeding ground for approximately 130 bird species, including the threatened red-shouldered hawk. This area also contains several rare kettle lakes and many areas of natural and scientific interest. While providing crucial habitat for many birds and animals, the moraine also serves as an important area for recreation and tourism.

Unfortunately, the ecological integrity of the moraine is currently threatened by urban sprawl. Developers have plans to build thousands of new homes on the moraine in the coming years. This poses a threat to the connectivity of the moraine and to the water resources which lie

below it. At the moment, over five million people live in the GTA, and it's estimated that another two million people will live here by the year 2021. With this continued population increase, the pressure to build here can only accelerate.

With these things in mind, it's important that the government act now to ensure that this important resource is protected for future generations. Therefore, I want to throw out a challenge to this government. I'm asking that the government set aside 5% of the proposed SuperBuild Growth Fund, a mere 5% of this fund, a total of \$1 billion, to be put towards a southern Ontario protected areas acquisition fund. This would be an opportunity for the government to make an ecological investment in the health and well-being of the citizens of Ontario and the ecological health of the ecosystems in southern Ontario.

This fund could be used to secure some of the most threatened ecosystems throughout southern Ontario, starting with the Oak Ridges moraine. It would be an opportunity to build on successes achieved in protecting areas in northern Ontario. As well, we feel that this fund could help leverage monies from other sources in an effort to protect what is left of a rapidly disappearing natural landscape in southern Ontario.

In 1999, this government increased protected areas in northern Ontario by 6%. With the creation of the southern Ontario protected areas fund, we hope that this government will begin the process of increasing protected areas in southern Ontario.

I'd like to thank the committee for the opportunity to present here, and I'd be happy to answer any questions you might have.

The Chair: Thank you very much. We have approximately 10 minutes per caucus. I'll start with the official opposition.

Mr Monte Kwinter (York Centre): I'd like to talk to you about the Oak Ridges moraine. That seems to be the hot topic in southern Ontario at the moment, the one that's getting most of the attention.

How do you deal with the conflicting interests that are there, in that in an ideal world everybody would want to protect everything, but in the real world there are various pressures from various groups that see their needs may be more paramount than other people's needs? How do you address that and how do you resolve that so that there can be some compatible use of what are common resources for everybody?

1110

Mr Ferguson: I think this is really where the role of the provincial government comes into play. As you know, in 1995 there were a lot of changes to the way planning got done in Ontario, and our organization has called for the province to take a lead to become in a sense an arbiter to set up something. We haven't specifically said something like the Niagara Escarpment Commission, but that's a very good example of an institution that balances the need for protection and development. We would really like to see, through the use of this particular fund, critical areas on the moraine purchased or traded or

somehow protected and we think the provincial government has that role. The municipalities are all competing for development and tax dollars, and we don't think they are in a really good position to have a broader picture of protection on the marine. If the province would get back into the game of looking at development, we think there's an opportunity there to balance those conflicting interests. Again, I bring up the example of the Niagara Escarpment Commission. It's recognized by the United Nations as a really good example of how you balance those competing interests.

Mr Kwinter: I used to sit on the Metropolitan Toronto and Region Conservation Authority. In the 1970s, the provincial government came out with a very ambitious plan for the parkway belt. I don't know whether you are familiar with that particular plan, but it set out a band of green space to the north of what was then the developed area in Metro. That particular parkway belt has all but disappeared, and the reason is population growth—pressures to make sure this can be serviced properly, to look at the watersheds, to look at all of these things. Even now we have some other conservation authorities selling off some of their land that they don't think is absolutely critical to flood control and things of that kind.

My concern is that these pressures—and as I say, I'm absolutely in favour of saving the Oak Ridges moraine, but how do you deal with the conflicting interests that are out there, the natural evolution of population growth and the ability to service those people in an economical way to keep it all in tact? How do you deal with that?

Mr Ferguson: There are a number of points. As you say, the population of the greater Toronto area is going to continue to increase and that will continue to have pressure on areas like the moraine. However, there are lots of ways to develop without building on top of the moraine.

I think you have to recognize that the moraine has this huge aquifer underneath it. We're only now starting to realize that those aquifers are all connected, and if the people of Toronto and southern Ontario want to preserve their drinking water, you can't build on top of it. What happens when you build on top of it is that you pave over the surfaces. It's like a sponge, and if you pave over these surfaces, all kinds of contaminants like oil from your car or gasoline from the lawnmower, all that sort of stuff will percolate down into the aquifer.

I was at a meeting at York region about two weeks ago. A local councillor there from Richmond Hill, Brenda Hogg, has said that from the numbers she has looked at, there doesn't need to be any development on the moraine because you can do all kinds of in-field projects with the various subdivisions that are already there. There is already enough capacity without building more capacity on the moraine.

There was a lawyer from the city of Toronto who was talking about the fact that the infrastructure hasn't been developed to service those new communities up there. If you're talking about tax dollars and efficiency, you want to have a greater urban density. This sprawling out to

subdivisions is not a very efficient way of using your resources. Does that answer your question?

The Chair: I think I said 10 minutes, but my mathematics were not very good this morning. It's about seven minutes, so I'm sorry, I have to cut you short. I'll go to Mr Christopherson.

Mr Christopherson: Thank you very much for your presentation. You've already made reference to some of the changes to the Planning Act. If we look at all the changes the government has made in the area of environment, there are very few of them that are positive. I think you're very generous in your comments. We view it a little more cynically in terms of the damage that has been done, certainly when we take a look at the Planning Act changes you've referred to. I think they actually had the audacity to call it the Environmental Protection Act or the environmental enhancement protection act, some oxymoronic name like that, which had nothing to do with the fact that the bill was actually gutting protections that had been in place.

They have decimated the ministry, as you well know. The funding has been slashed about 30%, and an even higher percentage of staff, about 40%, are now gone. Then we still hear people rolling in here saying: "We really like what you did with the Red Tape Commission. Keep doing that." And we keep arguing, every time they say it's red tape, that in many cases—not always; sometimes things can be improved and made more efficient, but in many cases—with this government, eliminating red tape means eliminating some protection either for the environment or for citizens as a whole.

Given all of that, what level of faith do you have that this government is really going to be there in the interests of the Oak Ridges moraine?

Mr Ferguson: As an environmentalist, I guess I have ultimate faith eventually. But this is a government that has responded to public pressure in the past, certainly through my experience in the whole Lands for Life process. We didn't get what we wanted, but considering what the round table recommendations originally had, a 0.6% increase, bumping that up to 6%—that was a result of a lot of hard work by the environmental community and others to get out there and mobilize public pressure. I think you're starting to see that on the moraine. You're getting a thousand people coming out to a meeting in Richmond Hill, not really your most radicalized community. You're getting hundreds of people coming out to meetings in Uxbridge. You're getting the city of Toronto taking an interest in this, York region, Peel, Durham; they're all looking for ways we can protect the moraine. Even local MPPs living on the moraine—I can't remember the member from Oak Ridges, but I've had a copy of a letter that he had written talking about how important it was.

So I'm hoping this is an opportunity, through this fund, that we can balance those interests. We're not necessarily against developers, and we certainly think that if land were going to be protected they should be compensated, not at the proposed profit rate but at what

they had invested. We think this fund is an opportunity that they might be able to move some of those developments off the moraine.

Mr Christopherson: You're probably familiar with the continuing battle in Hamilton over the Red Hill Valley versus the Red Hill Valley expressway. That valley has been recognized by the United Nations in terms of its importance. It's the last natural green space in the east end of the city. The trade-off there in terms of the development needs versus the future is just not to the benefit of our community. It's in the courts now; it's not resolved.

Given that we're here talking about economics and the SuperBuild fund, its purported purpose is to ensure that there's efficient decision-making and strategic investment in capital projects that the government undertakes right across all its ministries. Given that that's the focus of both the economics of what you've presented and in large part what we're talking about here in looking at what we think should be in the upcoming budget, can you just for the record give us the reasons you see for ensuring that the environment is preserved from an economic point of view, in terms of what it means to us as a society vis-à-vis our economy over the long haul? I'm not talking about a couple of years; I'm talking about multiple decades.

Mr Ferguson: This is an opportunity to think big. I really think it is. If you look at the next couple of hundred years, how much is it going to cost you to clean drinking water if we pollute it?

Mr Christopherson: Look at what we're going through in Hamilton harbour. If we could go back and revisit those decisions at the turn of the last century—

Mr Ferguson: What's the economic value of Central Park in New York? The moraine serves not only as an area for wildlife but it's certainly an area for recreation. We're seeing a huge boost in ecotourism and a want by people to get out and get away from the downtown city core to enjoy nature. I think there's an economic benefit down the road, not just protecting things because they should be there and it's also good for us in water, but it's a good recreation area as well and there's that economic benefit. I think there are lots of reasons, not just because it's the right thing to do from an environmental standpoint.

1120

Mrs Tina R. Molinari (Thornhill): Thank you very much for your presentation. My riding is in Thornhill. It's very close to the Oak Ridges moraine and it's in York region, so I have received a number of letters from constituents expressing concern over that.

I'm pleased to hear you say that this government has responded to the public, because some would say that this government is determined and unresponsive. I'm really pleased that you would highlight that as a point.

It's difficult to balance the need for houses and roads and protecting the ecosystem, and I'm sure you can appreciate the difficulties in doing that as a government. But it has been helpful hearing from environmentalists

like yourself with some of the issues that you bring forward and certainly bringing the public awareness. I think it's like a sleeping giant: Unless there's a threat to them, people don't wake up and realize the effects of it. I think what you've also done is bring the education of it to a larger group of people who ordinarily might not have thought it was an issue. That's important.

We believe that partnerships are certainly important in anything we do to further it along. In Thornhill, the maple sugar bush—I don't know if you're familiar with that, where the Metro conservation authority, the city of Vaughan and the province joined in partnership to save that maple sugar bush area, and together with the builder who owned the property were able to declare that as a non-building area. So certainly having it in my riding and having the provincial government support that as an environmental property was helpful.

I appreciate all of the comments that you've made here on the Oak Ridges moraine. I will keep my eyes and ears open for anything further to that. As you've said, a Richmond Hill councillor has indicated that there is space there to also accommodate the growing need for homes, and if we can do that and protect the Oak Ridges moraine, then certainly I think it's a win-win situation, and at the end of the day that is what we look for. Thank you very much for your presentation today.

Mr Galt: Thank you for the presentation, especially the comment about it being a good first step, and for lobbying. That's all part of the democratic process.

We hear a lot about high-yield agriculture and what's going on in agriculture. Because of high-yield agriculture what I see in eastern Ontario are tremendous tracts of land that are reverting to trees. There are acres and acres that were never in trees before. You may question the quality or the type of trees, but it's certainly happened that as a result of that we're seeing deer in areas where we've never seen deer before. In parks like Presqu'île it's been threatened that we'll have to go in to cull, and of course there's some public concern over that. There are also challenges for farmers when this is happening with deer damage, and on the list goes.

What I wanted to come around and question you on was related to the SuperBuild fund. The idea there is \$10 billion from government and \$10 billion from private industry. You're looking for 5%, so I guess I flip it back to you. You're looking for 5%; in other words, 2.5% from government. Where would the other 2.5% come from?

Mr Ferguson: I think as Mrs Molinari said, there are lots of partnerships that can be developed. In the last three or four years there have been many trusts set up to either take land or to try and purchase land. I know there is a private trust on the Niagara Escarpment that raises money to protect land; there is the Nature Conservancy of Canada, organizations like that whose mandate it is to purchase threatened areas. I think there's a partnership there.

Also, if the local municipalities can be motivated to see this as an economic opportunity, as a recreation area

or an area that they should protect because it's going to affect the quality of their drinking water down the road, then they will probably be interested in kicking in. I think you can get various levels of government.

I had a discussion with a fellow down toward Windsor and he's looking at trying to protect an area of the Marshfield Woods. He's really trying to get some of the big businesses involved in that area to throw in a few dollars, or what would be only a few dollars to them, to come together and protect this area that has traditionally been used, although in private hands, by the community as a recreation area.

Mr Galt: You might look at, I believe it's Minnesota, where they have what I think they call the One Percent Club, where they give 1% of their profits for environmental projects and they get a nice plaque in their waiting rooms, and then some will join the elite Two Percent Club. That kind of philosophy might go quite a way with this. Congratulations on looking at the kind of thing. It sounds like a good idea. As is often said, if you don't own it, you don't control it. If you have ownership on it, then you have some significant control over what's done with it. So thank you very much.

Mr Ferguson: I just wanted to say that I think the super fund is meant as building an economic investment. We think there's also an ecological investment that can be made with, as well as the economic—together.

Mr Arnott: I'll follow up on Mr Galt's question. Thank you very much for your presentation and the ideas that you put forward.

As I understand it, the SuperBuild Growth Fund is intended to renew Ontario's physical infrastructure—hospitals, roads, bridges, building projects—as opposed to setting that money aside for what you're suggesting, although it's something I'm sure the government will want to look at. If the SuperBuild Growth Fund is not the vehicle for that kind of a project, it still might be something that ought to be considered and worthwhile.

Following up on Mr Galt's suggestion, do you have any additional ideas as to how we might encourage private sector money to come into this kind of initiative?

Mr Ferguson: I think you have to stress public health as being—health and the environment to me are intimately connected, although sometimes they don't seem to be. I'm not sure. Other than the organizations I've mentioned, nothing pops to mind, but I think there are opportunities, at least in the local areas, to have businesses protect a portion of the marine. Maybe they're a bottler of water—

Mr Arnott: That have a direct interest in preserving the quality of the resource.

Mr Ferguson: —that somehow has a direct interest. Maybe it's a cross-country ski shop that might be interested. There are smaller partnerships that could be—I haven't given it a whole lot of thought, but that's certainly something we should look at.

The Chair: With that, we've run out of time. On behalf of the committee, thank you very much for your presentation this morning.

Mr Ferguson: Thanks for having me here.

ONTARIO HOME BUILDERS' ASSOCIATION

The Chair: Our next presenters this morning are representatives from the Ontario Home Builders' Association. Gentlemen, could you please step forward and state your name for the record.

Mr Dick Brouwer: Good morning. My name is Dick Brouwer.

Mr Wayne Dempsey: My name is Wayne Dempsey.

The Chair: On behalf of the committee, welcome.

Mr Brouwer: Thank you, Mr Chairman and members of the committee. Good morning. Like I said, my name is Dick Brouwer, not to be confused with the other Brouwer. I'm the president of the Ontario Home Builders' Association and I'm a builder and developer in the London area. I came to Canada in 1964 and started Brouwer Plumbing and Heating, which continues to specialize in new-homes installations of plumbing and heating systems.

With me is Mr Wayne Dempsey. Wayne is the first vice-president of the Ontario Home Builders' Association. He is a builder and developer from Muskoka. We are both volunteers of the association. In addition to our business and personal responsibilities, we are dedicated to serving our industry. We appreciate this opportunity to speak with you. It will be a brief report, as you have been given our full written submission. I'd like to begin by telling you a little bit about OHBA.

The Ontario Home Builders' Association is the voice of the residential construction industry in Ontario. As a volunteer organization, OHBA represents approximately 3,400 member companies which are organized into 32 local associations across the province. Our membership is made up of all disciplines involved in residential construction, including builders, land developers, renovators, trade contractors, manufacturers, suppliers, realtors, mortgage lenders, apartment owners and managers, housing consultants, economists, landlords, architects and engineers and lawyers. Together we produce about 80% of the province's new housing. The residential construction industry employs approximately 200,000 people and contributes about \$20 billion to the province's economy every year.

Now Mr Wayne Dempsey will talk a little bit about the housing markets, both current and future, as well as the impact the housing industry has on the economy of Ontario.

1130

Mr Dempsey: A healthy residential construction industry is a prerequisite for growth. Economic expansion usually begins with rising housing starts as well as industrial and commercial development. This leads to new infrastructure projects and institutional expansion, providing the necessary foundation for the next generation of economic activity.

Many of the more than 180,000 net jobs created in the province in 1999 were in residential construction. It's estimated that every housing start creates approximately 2.8 person-years of employment. That means the home building industry created 188,258 person-years of employment in 1999, not including the contributions to employment made by renovation work. This includes direct construction jobs, indirect jobs as well as the vast amount of employment created through the multiplier effect.

Last year our industry contributed nearly \$20 billion to the Ontario economy. Construction activity also contributes significantly to government revenues. On average, every house contributes \$40,000 to \$50,000 in taxes and fees collected at all three levels of government. Based on 1999's performance, that amounts to over \$3 billion in tax revenues. Add to that tax revenues collected from renovation work and you will see that our industry is a major contributor to the health of Ontario's economy.

The year 1999 was a great year for our industry. Ontario's housing market showed a marked improvement over 1998. Housing starts in 1999 were an incredible 25% higher than in 1998. Growth in housing starts should continue into the millennium, boosted by high consumer confidence, low mortgage rates and continued high levels of GDP and employment growth.

The major highlights of 1999 include increased starts across the province, with some areas showing spectacular results. The largest gains among census metropolitan areas were Oshawa at 40%, Toronto at 35% and Windsor at 23%. In fact, the only decreases were London at 13% and Sault Ste Marie, which experienced a decrease of 44% over last year.

Single-detached as well as condominium construction experienced significant gains in 1999. However, rental housing construction continues to stagnate despite encouraging new incentives brought forth by the provincial government.

In our submission you will see an economic forecast survey of our members conducted in November 1999 located at the back in appendix A. This survey found that 95% of respondents expected sales to increase or stay the same in 2000 while only 5% expected sales to decrease. That optimism is well reflected on OHBA's forecast for 2000. We expect 70,000 starts this year, which represent the third straight year of growth, and an 88% increase over 1995, the lowest starts of the decade.

Renovation spending has seen a 1.2% increase in 1999, and this trend should continue well into 2000. We predict that renovation spending will climb to more than \$10 billion in the coming year.

As you are well aware, Ontario's economic performance has been spectacular over the past year. Low mortgage rates and strong job creation have encouraged many new buyers in the housing market. While we're encouraged by recent positive economic indicators, the home building and renovation industry sees several potential roadblocks which may impede future growth.

Shortages in labour and materials, as well as cost increases, combined with new and increasing taxes, fees and charges, have the potential to distort true market demand. More than 75% of our members were concerned about material costs affecting their business in 2000, while 65% saw labour shortages as a major problem. Tight profit margins due to a number of factors, including increased competition and high taxes as well as underground activity, continue to be the concern for nearly 60% of our members.

Dick will now summarize some of the key factors affecting our industry and OHBA's recommendations.

Mr Brouwer: OHBA would appreciate your consideration with respect to the following.

First of all, high and rising development charges continue to stunt the growth in our industry in some areas. The recent introduction of new development charges bylaws in many Ontario municipalities poses a serious obstacle for the continued health of the Ontario housing industry. OHBA recommends close government monitoring of development charges on the home building industry and intervention if necessary to ensure that the supply of affordable housing can be maintained.

Secondly, a land transfer tax rebate for first-time buyers of newly built homes has been in place since May 1996. As of December 1, 1999, 54,029 rebates have been issued, for a total of more than \$70 million. Because of the positive impact this has had on the affordability of new homes for the consumer, OHBA recommends that the provincial government make the rebate of the land transfer tax permanent for first-time home buyers of new homes.

Next, excessive regulations and overtaxation of the home building industry pushes the price of new homes higher and higher, and consequently puts home ownership out of the reach of many citizens. OHBA encourages the government to introduce legislation to ensure user fees are based on a reasonable direct cost-recovery basis and, further, that such legislation allow for the appeal of municipal decisions about fees and levels of service.

Building materials have been steadily increasing during the past year. Many building products have been experiencing increases of 25% or more. The cost of these materials has been driven up by a strong demand for Canadian product in both the domestic and US markets. A huge demand exists for building materials in Ontario. Manufacturers of these materials should be encouraged to stay within Ontario. OHBA encourages the provincial government to continue its overall fiscal policy of tax-and-spending cuts for the health of the manufacturing industry.

Also, the loss of skilled labour in our industry over the past years has been accelerated at an alarming rate. Some 65% of our members rated labour shortages a major concern for their business in 2000. The need for new skilled trades in our workplace is obvious. In order to attract new workers, OHBA recommends the development of co-op programs at the high school and college

levels that bring students on to the site and provide hands-on experience in construction and safety.

Public perception about the value of skilled trades has to be changed. OHBA suggests that any campaigns geared at encouraging students into the skilled trades would be most beneficial to our industry and to the economy as a whole.

1140

We also know that rental housing is in short supply in several centres across the province. In 1998, just four communities had a vacancy rate of less than 3%, which is deemed a short supply. By 1999, nine major communities had a vacancy rate below the critical 3%. It is not only large cities like Ottawa and Toronto but also smaller centres like Bracebridge and Brantford that are affected. OHBA recommends that government continue to implement policies that would encourage the private sector to resume building rental housing across Ontario. The elimination of the PST payable on the construction of new rental projects, along with reasonable development charges, would certainly result in renewed interest on the part of investors. Property taxes on rental housing relative to ownership housing should be competitive.

The pressure from the underground economy has continued to be a major problem for our industry. In addition to unfair competition, governments also lose out on billions of dollars in revenues; homeowners lose the benefits of inspections, suffer little or no recourse in the event of shoddy workmanship, and expose themselves to a number of liabilities. OHBA recommends that the government work together with the industry to seek out ways to encourage and entice consumers to utilize the skills and services of legitimate, honest, hard-working renovators and contractors.

Another issue that OHBA has been carefully following is the Kyoto agreement, which involves the reduction of greenhouse gas emissions. The reduction of GHG emissions will be a profound economic challenge for all industries in the future. OHBA encourages the provincial government to work with our industry to achieve the objectives of the Kyoto Protocol. Any concrete proposals must be reviewed with regard to the effectiveness and cost-benefit analysis.

To conclude, I would like to say that OHBA strongly supports the fiscal policy of the provincial government and encourages the government to continue in the direction of deficit reduction, spending cuts and tax cuts.

Mr Chairman and members of the committee, I would like to thank you for your attention and the interest in our presentation. We look forward to hearing any comments or questions you may have.

The Chair: Thank you. We have approximately six minutes per caucus, and I will start with Mr Christopher-

Mr Christopherson: Thank you for your presentation. I want to focus on the issue of the affordable housing and the issues that you raise there. We've had earlier presenters this week who talked about this issue, and in fact a presentation yesterday. We were reminded that

CMHC reports that the annual target for providing permanent, affordable rental housing in Ontario should be 16,000 rental units; that's new units. The government's current business plan calls for an additional 65 private rental units on top of an average of 215 units built in low-vacancy-rate areas. That's 65 in their business plan, in addition to 215, when the need has been identified as 16,000 units. I don't need to tell you the crisis that's erupting on our streets in all the major urban centres and, as we're hearing in presentations, even some communities you wouldn't expect.

Let me ask you, would you favour the provincial government returning to the business of ensuring that there is provision for the building and addition of affordable rental housing units to our stock?

Mr Brouwer: OHBA has always taken the position that we would not be in favour of what we used to call the non-profit housing sector in Ontario. I don't think the Ontario government should be in the business of building any housing. We've always believed in shelter allowances and we encourage the government to work on shelter allowances in order to get those who can least afford rental accommodations to be subsidized with shelter allowances.

Mr Christopherson: You understand that the opposing argument is that at the end of the day, the people of Ontario who have paid the supplement have nothing. It's gone. Over time, it's exceptionally more cost-effective to actually build and add to the housing units, because it's there and the people of Ontario own it. So it's not just one family who benefit from it, but indeed families across the board, as the need is there, have somewhere to go.

The units aren't being built by the profit sector and, quite frankly, I'm not faulting you for that. You're not in the business of providing non-profit housing. That's not your business. You're in the business of building houses and making money—fair game—but it does leave a responsibility on the part of the provincial government to ensure that through one means or another there is affordable housing for those who need it and to do it in a cost-effective way.

By way of example, one of the presenters mentioned the OHC scattered houses. We have them in all communities, single houses in various neighbourhoods. The operating costs there in Lanark county were \$159 a month, but for supplementing units in private buildings the average cost is \$376 a month in Lanark county. So on a month-to-month basis it costs twice as much money to go the route that you're suggesting and at the end of the day when that money is paid out the people of Ontario have nothing.

My problem is that I can understand philosophically where you're coming from, but that still leaves us a huge problem in terms of where we get the units that are necessary for this growing crisis. We know there are more people in poverty than ever before. They're in deeper poverty than ever before. You can see the homeless on our streets. This is not going to go away.

Mr Dempsey: I think what you may find is that—and we discussed this earlier—the \$2,000 PST tax credit from the province would be a help. However, there's GST that we pay. There are also development charges and in some areas it's as much as \$20,000. If we want to look at affordable housing and rental units that are going to go on the market, we've got to look at a large number of areas, being PST, GST, development charges, all the taxes and fees. I think I reported that we pay somewhere around \$40,000 to \$50,000 a unit in taxes, fees and charges. If we're looking at affordable housing, let's look right there.

Mr Christopherson: But with respect, if we're going to be subsidizing the private sector to build them, which goes to the bottom line—and again I don't question your right and need to make money out in the market, but when we're talking about interfacing with provincial taxpayer dollars, you need to do it in the most efficient way.

I know the government is going to talk about the fact that they didn't like the plan that we had, but at the end of the day we were adding more affordable housing units to our communities than ever in the history of Ontario. In fact, the NDP was the last government in North America that was still providing them. Since this government, with great shame in my opinion, announced they were getting out of the housing business, we've seen an increase in homelessness, an increase in middle-class people sliding down into poverty and a decrease in affordable housing.

If we're going to go the route of giving you enough financial incentives to make it profitable for you to build them on the profit side of it, why wouldn't we take that money and invest it and see it as an investment so that the bricks and mortar are owned by the people of Ontario and at the end of the day it's paid for? Why would we not go that route?

Mr Brouwer: I had been involved in the non-profit housing when the NDP was in power. As a plumbing contractor, I thought they wasted more money than I've ever seen before. Their specifications on quality were higher than probably you would use for your house. The people who were moving into those units were giving no respect to what they got.

Mr Christopherson: Everybody? Is that what you're saying? You're blanketing them all?

Mr Brouwer: A great number of people. I've been in a lot of units. Coming from Europe, I have never understood why a government would create slum areas, putting people who could barely afford housing all in one area and saying, "This is a good area to put the people who can't afford rental housing." We believe that people should be living where they want to live, all over the place. Give them a shelter allowance.

Mrs Molinari: Thank you very much for your presentation. Before I begin with some of my comments and my question, I want to focus on what you just said in response to Mr Christopherson's question.

What I heard you say is that there was higher-quality plumbing—if that's what specifically you were talking about—in those homes than one would put in their own custom-built home. Then I question, was it affordable, if you're talking about affordability and you're putting higher costs into it that negate the affordability factor? In any case, I'll continue.

1150

I'm going to focus on some of your recommendations here, and specifically on 4.5, skilled labour shortages. You talk about the co-op programs that you're recommending start in high schools to bring students right into the site. There is a project that was taken up at the York Catholic board with Mattamy Homes where in fact this happened. A group of students built a home from start to finish. The students got a lot out of that in the way of education and what the building industry is like, and it was deemed to be something very, very successful. But it was a big commitment also on that company to come in and join that partnership.

You talk about campaigns geared to encouraging. I think the boards and the schools are encouraged to do this; it's finding the partnership with the building association to be able to do that, because it's a big commitment on the builders to do that—in time and in money, to some extent. I encourage you to pass that message on to the builders, because I know at first hand that the schools are very encouraged and they would love to do this. Certainly we're encouraging more to go into the trades. It's not seen as the sexy thing to do today. Most want to go into different areas. But it's certainly a need that we've recognized, and I agree that we need to encourage students to do that.

Before your presentation we had another presentation, Earthroots, that talked about protecting the ecosystems. That's where you find the balance, where you're talking about building and the need to build, and yet there are the environmentalists who are talking about the need to slow that down to some extent, to protect the environment. Give me your comments on what you would do as an organization to help in a partnership to find some sort of balance between those two.

Mr Brouwer: I've read the paper about what is going on in Toronto and the moraine lands this person before me was referring to. We believe that environmentally sensitive areas should be protected. As builders or even as developers, we certainly don't want to take any more trees out than are necessary in order to create a home for whoever wants to buy this particular house. As a matter of fact, the more trees we have on the property, the more money the property is worth. We certainly would encourage environmentally sensitive areas to be protected, but in a reasonable way. I know of some areas, especially in the area where I come from in London, where we have now been waiting for seven years in order to try to get some properties on stream. Somebody saw a frog swimming down the creek and now it becomes an environmentally sensitive area. There has to be reason being used in order to work with the industry. We agree that we

like to protect as much as possible. But we also agree that people want to live where they want to live, and not where somebody else is going to tell them where to live.

Mrs Molinari: That's where that co-operation is important, because it's viewed as the builders are here, the environmentalists are here, that you're at opposing sides. I don't think that's the case when we speak to each of you on an individual basis, but the message out there appears to be that. So I think whatever you can do to build those bridges and to impress upon the environmentalists that you are in fact willing to work together with them, that's helpful.

Just one last question: Your 4.8, Kyoto Protocol—I'm not at all familiar with that. Can you just briefly tell me what that is?

Mr Dempsey: The Kyoto Protocol was a worldwide convention that dealt with greenhouse gas emissions. Canada has set a target for greenhouse gas emissions, and we're trying to work towards that target with the auto industry and with all the other industries in Canada.

Mr Phillips: I appreciate the brief. I always look forward to your annual survey, "If a provincial election were held today, who would you vote for?" and I'm pleased to see the Conservative support has dropped from 90% all the way down to 87%.

Mr Kwinter: Mind you, the NDP have got a 200% increase. Last year it was zero; now it's 2%. They're on a roll.

Mr Christopherson: Big momentum; we're on a roll.

Mr Phillips: They're up from zero to 2%. Dave, you're moving out.

Within this document there's something, among other things, that's extremely disturbing to me. You indicate here that household growth is about 60,000 a year. I assume that's the number of housing units you should have. You indicate that for many people buying a home is unaffordable. You indicate in here something like 20,000 a year of that 60,000 growth would be in rental. The very alarming numbers in here are that in the last three years there have been about 3,000 rental units built in total in the province of Ontario.

You would have to assume we're heading to a substantial—I'm maybe understating it—disaster: many people unable to afford to purchase a home, 20,000-a-year growth in the need for rental accommodation and virtually none being built. We heard yesterday people saying, "Well, it's not going to be built because there's always fear of rent controls coming back in." Based on what you've told us today, there's no indication that your members are planning any rental accommodation building.

We need your advice. Here we have what I would describe as a crisis. I'd like you to describe how you would describe it. It looks like we're just creating an enormous problem, not you but we here in Ontario, and I don't see any solution on the horizon based on what the government's doing and based on your recommendations. How do we deal with that enormous growth in people who

need rental accommodation and virtually none being built—a thousand a year?

Mr Dempsey: I think what you're finding this year is that because of low interest rates a lot of the people who would normally be looking for rental accommodation have been able to buy homes. There have been quite a few in that situation. There have been a lot of condominiums built and some of those will provide some rental accommodation.

As I said before, there are a lot of problems with the whole rental housing industry: how you make it fit, how you provide a rental accommodation for a reasonable cost and get people into rental accommodation. It's a very fine line to build rental accommodation because of the cost. You've got to build them big enough that people are going to live in them, but the cost to build them, and then once they're built the assessment on them—the taxes are more than a private dwelling. There are a lot of problems in there and we don't profess to have the answers to all of them, but we're working on them, certainly.

Mr Kwinter: I just want to follow up on that. My impression is this: The only rental accommodation that's being built is luxury rental and that's to attract the market where people, for whatever reason—they're here on a transient basis because their company transferred them, they don't want to buy, they don't want to own—don't want the responsibility of ownership but they can afford to rent. The problem is that there's a whole sector of our society who can only afford a certain amount of rental and there is nobody who can build anything that will meet that target. The economic rent they can afford to pay in most cases—we saw a study—is half of what it would require for a developer to build a rental accommodation.

As you say, it's a problem. What is the solution? I don't know, other than government getting involved. Who else is going to get involved? You just write off that whole segment of our society who say, "I can't spend 100% of my income on accommodation"? Right now we've heard the numbers are up in excess of 50% of their income. Given that normally the rule of thumb is 25%, maybe 30%, it's up to over 50% in many instances. How do you address that as an industry, or do you feel that's a responsibility that you should have?

Mr Brouwer: Well, sir, we believe that the \$2,000 the provincial government presently has given on affordable housing is only a step in the right direction. That's why we believe there has to be a greater incentive. Obviously as an investor you wouldn't want to invest any money where there is no return. Ultimately we have to be fair to each other and we say there has to be a return on income. Maybe it would be done over a 10-year period, where you would say: "OK, for this particular housing, you build these houses for 10 years. If you sell them, we take away your incentive." There has to be some kind of mechanism down there that will trick this rental housing issue.

Personally, I've built in London houses of 1,400 square feet for \$100,000: air-conditioned, everything, three appliances. You couldn't give them away. The mortgages on those houses were lower than what I'm renting them for right now. So you try to figure out where the need is. I don't know. Sometimes I'm wondering myself if we're doing the right thing. But I think ultimately there have to be by the provincial government some incentives; probably take the PST off, probably do away with some development charges or make them reasonable enough in order for us to start building rental housing.

The Chair: With that, we've run out of time. On behalf of the committee, gentlemen, thank you very much for your presentation this morning.

The committee will reconvene this afternoon at 1 o'clock. We are now adjourned.

The committee recessed from 1201 to 1303.

CANADIAN FEDERATION OF STUDENTS

The Chair: Good afternoon. Our first presenters this afternoon are representatives from the Canadian Federation of Students.

Mr Ashkon Hashemi: My name is Ashkon Hashemi. I am the internal coordinator with the Ontario component of the Canadian Federation of Students.

Ms Erin George: My name is Erin George. I am the incoming chair of the Canadian Federation of Students, Ontario component.

The Chair: On behalf of the committee, welcome.

Mr Hashemi: I'd like to thank the committee for giving us this chance to present. In fact, we're happy there actually is a standing committee this year, as opposed to last year, so that's a good sign.

The Ontario component of the Canadian Federation of Students represents over 185,000 full- and part-time undergraduate, graduate and college students at over 20 post-secondary institutions across Ontario. Our key goal is the achievement of a high-quality, publicly funded post-secondary system that is accessible to all.

Unfortunately, the post-secondary system in Ontario is moving away from such a system towards one whose reputation for excellence and accessibility has been progressively compromised. In this presentation, we will highlight the importance of an accessible and high-quality post-secondary system and make some suggestions as to how to enhance the quality and accessibility of Ontario's colleges and universities.

We'll start with the funding picture. That sets the stage for what we feel are some of the problems in Ontario's system.

By all indications, the role of post-secondary education in enriching the social, cultural and economic life of Ontario is becoming predominantly more important. However, while there is a general acknowledgement of this growing importance, the government's response has been to slash funding for higher education in an unprecedented way. Since the 1996-97 school year alone, On-

tario's colleges and universities absorbed a \$400-million hit in funding, a loss that translates in constant dollar terms to approximately a 17% cut. Since then, public funding for post-secondary education has been frozen, with no provisions for increases in inflation.

As it stands, this government's funding policy will ensure that Ontario's colleges and universities remain the worst-funded higher education facilities in the country as we enter the new millennium. Ontario actually ranks fairly close to the bottom in North American terms, below such places as Alabama and Tennessee, so we're doing really great as far as making sure our universities and colleges get the funding they need.

The impact of this financial situation for the quality of post-secondary education is all too evident. Most colleges and universities are now operating with diminished faculty and support staff complements; hiring freezes and layoffs constitute the norm across the province; class sizes have grown significantly, resulting in less interaction between students and their instructors, while educational choices have been sharply curtailed by a host of course and program cancellations. Building repairs cannot be made or are delayed, posing health and safety threats. Equipment is way out of date. Underfunding has also impeded co-operation among institutions and created an unhealthy turf environment in which institutions point fingers at one another in their efforts to minimize the impact on their particular institutions.

Cuts to public funding of post-secondary education have also resulted in institutions depending more and more on alternative sources of revenue. Institutions have sought, and the government has approved, massive tuition fee increases. We'll get to that in a moment. In addition, Ontario's colleges and universities must now rely heavily on corporate largesse in order to remain viable. However, such reliance comes at a price. In return for funding, corporations are demanding a greater say in the day-to-day business of our colleges and universities and dictating policy decisions regarding curriculum. With alarming frequency, we are seeing pockets of our public institutions being privatized and funds going towards financing what we feel amount to job training programs for the private sector.

Relying on private sector funding to fill the core funding left by government cuts sets a very dangerous precedent. Private sector funding is neither stable nor comprehensive since it is often of a short-term nature and geared to specific programs or projects. At best, it brings temporary relief to the problem of underfunding that desperately requires a long-term, stable commitment. More frequently, that kind of funding compromises the quality of the educational experience by replacing broad and diverse program offerings with short-term corporate interests. In this regard, we would bring the standing committee on finance and economic affairs' attention to a recent study done by Robert C. Allen, who is a University of British Columbia economist. The study in question is entitled *Educational and Technological Revolutions: The Role of the Social Sciences and the*

Humanities. In this study, released by the Social Sciences and Human Resource Council, SSHRC, Allen demonstrates that humanities graduates have rates of employment and earnings on par with or higher than most business graduates and those graduating in high-technology fields. In fact, Allen argues, the so-called "technological revolution" is increasing labour market demand for university graduates in the social sciences and humanities.

These findings are in direct contradiction to policy, tacitly endorsed by the Ontario government, of providing more funding and extra spaces for high-technology programs at colleges and universities while devaluing and eroding program funding in the arts and humanities. In light of Allen's report, we would caution the provincial government that an overemphasis on high technology, private sector job training to the detriment of other programs is a shortsighted strategy when considering the real social and economic needs of the province.

The continuing importance of the public post-secondary sector in addressing Ontario's needs is clear. However, what's not clear is the ability of our universities and colleges to meet these needs. From all indications, our viability both socially and economically rests largely with the ability of our centres of higher learning to meet the challenges of the future. As such, and this is a key point, it makes no social or economic sense for the government to point out society's need for more skilled graduates, a well-educated population etc while continuing to make ever greater funding cuts to those sectors that provide these services. What is needed is an ongoing commitment to stable public funding that would allow our institutions to continue offering high-quality programs without resorting to exorbitant fee increases or an unhealthy reliance on private sector funding.

1310

The Canadian Federation of Students is doing its part in trying to secure this kind of funding. Through our Access 2000 campaign, we are calling on the federal government to restore \$3.7 billion in operating cuts to post-secondary education, of which \$1 billion would be Ontario's share. However, we want to make sure the Ontario government does not feel blameless in these cuts. They have exacerbated and passed the cuts down to students in an unprecedented way. As for our specific recommendations, you have the brief in front of you and can look at those, as far as our recommendations for funding are concerned.

Moving to the issue of tuition fees and accessibility, students have borne the brunt of the recent cutbacks to education by way of inordinate fee increases. Fees have increased 158% for university students and 147% for college students in the last 10 years, and the largest increases have occurred most recently. By the end of its first mandate, this government was responsible for a 53% college tuition fee increase and a 63% university fee increase.

To make matters worse, the Ontario government in its 1997 economic and fiscal statement announced the com-

plete deregulation of fees for graduate and professional programs at universities and for post-diploma and other high-demand programs at colleges. For us, deregulation of entire programs of study within publicly funded institutions has meant massive tuition fee increases. Already, students entering deregulated programs are seeing increases of 20% to over 400% in one year. Consequently, we are not far from a two-tier system in Ontario.

As it stands, the accessibility of Ontario's colleges and universities has already been seriously compromised, and any further increases in tuition, especially of the kind associated with deregulation, are bound to have devastating ramifications on the participation rate of lower-income students and on the socio-economic makeup of the student population. To put it bluntly, we are not far from a system in which ability to pay outweighs all other considerations in determining the future of Ontario's students. Again, we have a series of recommendations that the committee should have a look at for our specific take on the tuition fee issue.

In terms of student aid and student debt, more and more students in Ontario are using OSAP, the Ontario student assistance program, to fund their studies. Individual debt carried by these students is rapidly mounting. Currently, over 50% of all students require financial assistance, and the debt load picture is very distressing. In 1992-93, the average yearly loan per student was \$3,182. In 1996-97, the most recent numbers we have been able to get from the ministry, this number had climbed to \$7,713 per student. An Ontario average debt load for students graduating with debt hovers around \$20,000 on average.

The reasons for the escalating number of students on OSAP and the crippling debt loads they incur are manifold. Skyrocketing tuition fees certainly have had an impact, as have bleak year-round employment prospects. In addition, the Ontario government cut virtually all forms of grants in 1993-94, thereby forcing most students to rely solely on repayable student loans. As a note, Canada is one of only three OECD countries without a national system of grants. The combination of these factors on student debt in Ontario should not be underestimated. Ontario students have some of the highest debt loads in North America.

Students wishing to pursue a post-secondary degree or diploma have been required to amass greater and greater debt loads in the form of repayable loans. For many current or prospective students, the prospect of incurring what could amount to lifelong debt is inconceivable. They are simply left with the option of dropping out of post-secondary education or never applying in the first place. From a larger economic perspective, we question the logic of saddling students with immense debt loads at such an early stage in their lives. A generation of massively indebted graduates does not make for a bright economic forecast.

Unfortunately, this government's response to the growing need for adequate student assistance, including viable debt reduction strategies, has been the introduction

of measures that actually increase student indebtedness and make it more difficult for needy students to access the financial aid they require. I am going to go over some of our recommendations in this area, because we feel that these are particularly critical.

The government of Ontario should offer an enriched OSAP, designed to alleviate the debt burden currently facing Ontario students. As part of this, they should include upfront grants to help reduce the debt loads carried by students, target assistance for students with dependants and/or special needs, expand work-study opportunities for students to earn while they study, and expand interest relief strategies and debt reduction measures to aid students who experience difficulties in repayment.

As part of such an undertaking, the government of Ontario must reverse erosion of the current OSAP system by providing adequate funding for student assistance to meet the needs of students; restoring OSAP funding for part-time students—something that this government cut very recently; restoring child care bursaries for students with dependants so that students who have children can actually access the system properly; restoring access to social assistance to students with dependants; revamping parental contributions and dependency requirements to reflect current student realities; and restoring students' allowable income during the study period to the previous amount of \$1,700 so that students can actually have a chance to work while they go to school to be able to afford their education somewhat. I find it very ironic that this government would actually put a barrier toward students working and paying their way while they were in school.

The government must also end immediately the credit checks on OSAP applicants. This last point is worth reflecting on. Just to point out the difference between a bank loan and a student loan, student loans should be available to everyone, especially those with bad credit, so that they can actually have an opportunity to improve their lives in the future. People looking to go to school are often those who don't have the world's best credit rating, and it's very important that we make post-secondary education accessible to those people. Those are precisely the kind of people that a university or college degree can help.

Finally, the government of Ontario should publicly and aggressively call upon the federal government to implement a national system of grants as an effective tool in reducing student indebtedness.

We just want to reflect for a moment on the use of the millennium scholarships in Ontario. As part of its 1998 budget, the federal government set aside \$2.5 billion over 10 years to distribute approximately 100,000 scholarships per year to students across Canada. This year, Ontario is responsible for distributing 35,415 scholarships, with awards averaging \$3,000 each.

Despite its many shortcomings, the millennium scholarship does offer an opportunity to reduce student indebtedness in Ontario. To date, however, the Ontario

government is using the money from the scholarships not to buy down student debt, but to help finance already existing provincial student aid programs. As it stands, most of the debt being reduced by the millennium scholarship payments in Ontario would already be forgiven under the province's Ontario student opportunity grants, formerly known as loan forgiveness, which forgive any portion of a student's debt over \$7,000 per two-term academic year. As such, the millennium scholarships are only serving to reduce the Ontario government's loan forgiveness payments and are not reducing the overall post-graduation debt of the majority of Ontario millennium scholarship recipients. Some students actually stand to lose money if they accept a millennium scholarship, since any amount over the first \$500 of a scholarship is taxable, whereas to date loan forgiveness has not been taxable.

The Canadian Federation of Students condemns this blatant attempt by the government of Ontario to appropriate scholarship money earmarked for students. By its own admission, the provincial government stands to gain \$50 million from this exercise in diverting funds away from students and into its own coffers, although some estimates put the figure at closer to \$77 million. While there have been vague promises regarding the reinvestment of the scholarship money in ways that help needy students, no concrete proposals have been forthcoming.

In this regard, we recommend the following:

The government of Ontario must move immediately to ensure that all funds allocated for the scholarships go directly towards reducing student indebtedness in Ontario. No portion of the millennium scholarship should be used to replace funding for already planned or existing programs; and

The government of Ontario must account for its use of millennium scholarship dollars through reporting mechanisms that are transparent and publicly accessible.

We'll stop there and take any questions if there is time.

The Chair: We thank you very much. We have approximately four minutes per caucus. I'll start with the government side.

Mrs Molinari: Thank you very much for your presentation. You have listed several recommendations here which are helpful to us in getting the perspective of where you're coming from as students. I do want to make some clarifications.

Ontario ranks fourth and not last when you take into account all of the student assistance there is to provide for students. You've listed that we rank last.

As a matter of fact, in the latest Maclean's survey, Ontario has three of the top schools in some of the very technical programs that you talked about in your presentation on the deregulation. You must agree that those are programs that are costly and much more expensive to offer than some of the other programs. The flexibility needs to be there to be able to offer an effective program when it's more costly, and certainly students graduating

from that program would have access to jobs that would generate higher income than some of the others.

1320

As a government, we believe that tuition is a shared responsibility and we are moving toward our Blueprint commitment, which is to have students pay 35% of that tuition.

Based on the recommendations here, I'm not getting a clear sense that you feel the student who seeks post-secondary education has some responsibility as to the actual fee. I'm getting a sense from this that you're saying it's totally the government's responsibility to provide for the students, sort of like it is in elementary and secondary. Could I just get your comments, please.

Mr Hashemi: A few things. First of all, Ontario ranks dead last in per capita funding for post-secondary education.

Mrs Molinari: We disagree on that.

Mr Hashemi: It's not a matter of disagreeing. It's a fact.

Mrs Molinari: No, it's not. The fact is it's fourth. If you take into account all of the—

Mr Hashemi: The reason student aid payments are so high in Ontario is because governments persistently and consistently increase tuition fees, so you're paying out more in student loans. It's a fairly easy formula. If you could take out student loans from the picture, Ontario ranks dead last in per capita funding for post-secondary institutions. That's a fact. It's not a matter of dispute.

As far as our position on tuition fees, you'll notice that the recommendation is for a tuition fee freeze and moving toward a reduction in fees. Fees are way too high.

Mrs Molinari: So you said freeze, but now you're saying moving to a reduction.

Mr Hashemi: Our recommendation to the Ontario government currently is for a freeze until we can actually secure funding from the federal government towards funding some of the operating grants in our institutions. Right now we think a freeze is a very reasonable compromise to reach in Ontario. It's very doable, it's very possible, and it would actually go a long way toward reducing the financial burden on students. That's our recommendation on fees to this committee.

Mrs Molinari: I also want to clarify some of the other points you made. Enrolment in universities and colleges is growing all the time, and more than 50% of students actually graduate without any student debt, despite the number of students who need the assistance of OSAP. By the way, the money that's been put towards the Ontario student assistance program has increased by 30%. We're doing what we can to assist students with their loans, but the picture needs to be made clear that more than 50% of students actually graduate without any student debt at all, and for those who have a debt, the government is assisting those students.

You also talked in your presentation about those who have bad credit ratings, that they should get more money because they have a bad credit rating. Who, in their best business decision, would do that? Where would we find

the money to accommodate all of those default loans? I don't understand that reasoning.

Mr Hashemi: I'll start with the credit checks. You said it doesn't make for a good business decision. We might argue about that, but our general point is that investing in students in Ontario and investing in the future of Ontario shouldn't be a business decision; it should be an investment in actual humans.

These people who have bad credit, who often don't have the best credit, are the people who without a post-secondary education are lost. They are going to cost the system much more money in the long run in social assistance payments, perhaps jail costs, all kinds of things. What we're saying to you is, invest the money up front right now to make sure these people have a viable way of earning a living so they are not a drain on the economy five, 10 or 15 years from now. That's the point around why these credit checks are unnecessary. A lot of times people with bad credit are trying to go back to school to improve their lives so they can get good credit, actually get a decent job and that kind of thing. To shut these people off is basically telling them: "Forget it. You are just going to be a drain on our system for the rest of your life, and that's all we care about."

In terms of student aid funding numbers, Ontario does invest a lot in student aid, but a lot of that increase in investment is due to the financial decision made by this government to increase tuition fees, to deregulate fees and to make students need to borrow more to finance their education. You can always inflate the costs by making people have to borrow more. That's a lot of why it's so high.

As far as enrolment numbers, enrolment hasn't gone down but the increases in enrolment have now flatlined as a participation rate. Applications to institutions have actually dramatically decreased in the last five or six years. To see who wants to go to post-secondary education, we look at who is applying to go, and those numbers have decreased.

Time and again we have asked various governments, not just yours but across the board, to actually fund studies to look at the socio-economic makeup of the student population so we can gauge whether people from low-income backgrounds are being impacted by these changes. It's not good enough just to say, "The enrolment is going up slightly so there is no problem." That to us is not good enough because we have no idea who is going and not going to school right now and that's what we need to find out. In our opinion, right now with increases in fees and increasing indebtedness it's having an impact on people from lower-income backgrounds.

Mr Kwinter: Thank you for your presentation. I want to follow up on the reference you made in light of a comment that was made by a member of this committee yesterday. I want to talk about Robert Allen's study at the University of British Columbia. You say that his study "demonstrates that humanities graduates have rates of employment and earnings on par with, or higher than, most business graduates and those graduating in high-

technology fields. In fact, Allen argues, the so-called 'technological revolution' is increasing labour market demand for university graduates in the social sciences and humanities."

Yesterday Mr Galt made a point of saying that people who study history and the arts programs are not really being trained to do anything useful and that we should be concentrating—

Mr Christopherson: It was O'Toole.

Mr Kwinter: Was it O'Toole who said that? Sorry, it was Mr O'Toole who said that. His position was that we should be devoting our resources to those people who are studying the hard subjects like technology, the professions, things of that kind. As I say, I see that Mr Allen's study says almost the opposite.

Mr Hashemi: Whoever made those comments is entitled to his opinion, that hard-core, neo-conservative opinion that the purpose of universities and colleges is job training for the private sector. What they are not entitled to is to have a bad reading of demand curves. The private sector has shown in its hiring practices that it values these graduates, despite what they might say publicly or despite what the funding priorities of government are. I really encourage people to read that study. It's a great eye-opener in that regard.

Robert Allen actually goes a bit further than what we've written in our brief. The worst thing you can say about humanities and social science graduates is that their employment rates are on a par with business and computer sciences. In many cases they are actually much higher. That's a fact we need to be aware of because there are a lot of myths flying around about what is useful and not useful in our post-secondary education system.

Mr Kwinter: I also want to comment on another comment that was just made about the fact that 50% of graduates graduate debt-free. I'd like your comment on the statement I'm going to make.

If everybody wanted to come out of this debt-free, the government would fund all university education so that everybody would come out of it without any debt. The feeling is that those who can afford to pay it, if they come from families or if they have developed resources of their own, do come out debt-free, but the purpose of the government program is to provide an opportunity for those people who normally could not afford to come out debt-free, and as a result that is the program. To suggest that using the fact that 50% of them are debt-free is the benchmark that everybody else should be measured against makes no sense to me. I'd like your comment on that.

Ms George: I'd like to comment on that number as well. Many of those students who are graduating debt-free are doing so because they have worked full-time or more during their studies. We have situations where students are working three or four part-time jobs in order to fund their education because they are not eligible for loan programs for whatever reason or they are afraid of loan programs because of their experience with debt.

More and more students are working and not getting 100% out of their educational experience because they are under so much financial pressure and stress from working a number of jobs. This is becoming more and more frequent. The fact that the current government only allows students to earn \$600 before they start clawing back the money is a disgrace for those students who want to work and study at the same time and have a balance between funding from the government through loan programs, part-time work and their educational studies. Those students who are graduating without debt are doing so at a great cost to their overall educational experience.

1330

Mr Christopherson: Thank you for your presentation. You're both very articulate, very effective.

I want to refer to the statement you make in your conclusion, where you say, "The main issues facing students today are a direct result of the erosion of government funding to post-secondary education, and this must be our primary concern."

You will of course be aware that the reason the government found it necessary to dig so deeply into education funding, health care funding, social services and environmental protection was for the tax cut. The government likes to portray any of us who think that shouldn't be the absolute top priority, especially when for the last few years the tax cut was in effect but the books weren't balanced—we "just don't get it," is the phrase that one of the members of the government panel likes to say. "You guys just don't get it."

Well, it was interesting because on our opening day, Dr McCallum, who is the chief economist for the Royal Bank, came in, and this is the Instant Hansard from that day. I'm reading one of his statements. "You could argue—I don't think I argue this, maybe because I am a baby boomer—that all these calls for tax cuts today, which will favour the baby boomers who are in their peak earning years, are kind of like pigs at a trough from a younger generation's point of view." Now, that strong, well-known, left-wing individual who is the chief economist from the Royal Bank calls it "pigs at a trough." I would be interested to hear both your personal views and that of the students you represent in terms of the kind of economic world they're entering that has this situation of, as Dr McCallum points out, "pigs at the trough."

Mr Hashemi: A few things. Yes, there is a perception from students that this is an agenda coming from something that is not in their benefit, absolutely. What we've tried to point out in our brief, and what we've tried to point out whenever we have a chance to meet with government officials at any level, is, if we want the social and economic benefit, how best to maximize that kind of benefit. Consistently, it is not tax cuts that do that. Funding for post-secondary education is a benefit that has results far greater than any tax cut ever would. That is the message we are trying to get across, that it's an investment in the future of the province and the country,

and it's an investment in the people who are going to be driving the economy and who are going to be its key participants. That kind of investment makes sense not just from a student perspective, but from a perspective of the province and the people of this country. That's the point we're trying to make. It's a much greater investment than tax cuts ever will be.

Ms George: I'd also argue that it's not just the younger generation but actually many members of the baby boomer generation themselves who are arguing against tax cuts and know that our priority, the government's priority both provincially and federally, needs to be social program funding. Poll after poll—Ekos, Angus Reid—is showing that not just the younger generation but the entire spectrum is saying we need to reinvest in social program funding.

Mr Christopherson: Absolutely.

The Chair: We've run out of time, Mr Christopherson.

On behalf of the committee, thank you very much for your presentation.

PEOPLE FOR EDUCATION

The Chair: Our next presenters this afternoon are the representatives for People for Education. Could you please step forward and state your names for the record?

Ms Gay Young: My name is Gay Young.

Ms Diane Dyson: My name is Diane Dyson.

Ms Annie Kidder: I'm Annie Kidder.

The Chair: On behalf of the committee, welcome. You have 30 minutes.

Ms Young: People for Education is a parent group working to preserve fully publicly funded education in Ontario. We formed in 1996 and for the last three years we have surveyed Ontario's elementary schools and published an annual provincial tracking report.

We also produce newsletters and information bulletins and network with parents and parent groups around the province. To date we've held three provincial conferences for parents.

Thank you for giving us the opportunity today to address you. I've introduced myself and you've met Diane as well. We coordinate the provincial tracking project together. Annie Kidder is our spokesperson. We will each make a short presentation and then we will be pleased to answer your questions.

Whenever ministers are questioned about concerns around the lack of resources, programs or services, their most common response is, "We are spending more than ever before," yet that just doesn't ring true to parents, nor is it reflected in our provincial tracking report. In fact, the amount of money spent on education in this province has remained pretty much the same over the past six to seven years. At the same time, enrolment is climbing and costs are increasing and as a result there have been massive cuts.

Our publicly funded education system is starving. Educating the young people of this province is not a

business to be downsized and privatized; it is an institution to be proud of and worthy of our investment. So we are here today to tell the stories of parents and schools in Ontario, to try to convince you that if you don't act to increase funding, our publicly funded education system is in grave danger of dying a slow and painful death of a thousand cuts.

There's not enough money being spent now and we worry that a 20% cut to property taxes, which fund education, will result in even deeper cuts. In fact, Janet Ecker, our Minister of Education, says that her own salary will be cut by 25% if she overspends her budget this year—balance the books no matter what it costs our kids.

Is it part of your education plan, I wonder, to save money by closing schools? Across this province 133 schools have either closed this year or are under review to close next year, which will displace 26,848 children even though the Premier promised parents in 1998, before the election, that no school need close as a result of the funding formula. Yet many are closing as a direct result of the funding formula. Small schools are in particular danger and the EIC, the Education Improvement Commission, has recommended that the funding for small schools be changed.

Our provincial tracking report shows that 53% of the schools have fewer than 350 students, but your funding formula states that elementary schools must have 364 students to generate a full-time principal. Half of the elementary schools in the province don't qualify for a full-time principal and it's very hard to run a school without one. If boards can't staff small schools, then they may be forced to close them or to twin or triple them. What that means is one principal is shared between two or even three schools. They work half a day in one school, if they're lucky to have only two, and then get in their car and drive for 20 kilometres and spend the rest of the day at another school. So at times there's no one in the school office at all, because the secretary is often part-time too. In fact, our tracking report shows that 34% of elementary schools don't have enough students to qualify for a full-time school secretary under your funding formula.

1340

Kayla is deaf. She was being bullied in the playground. When she went to the office for help, no one was there. No one was there because the principal was twinned, the vice-principal had been cut and the secretary was part-time. It's a safety issue, but lack of funds is forcing these changes, and you hold the purse strings. When no one is staffing the office, parents can't contact their school either. In the Grand Erie District School Board they have twinned 12 schools this year because they can't afford a full-time principal in each school any more. The Ontario Federation of Agriculture is fighting to protect rural schools too. They met with Janet Ecker last month and put forth a request for a rural education strategy. Van Turnhout of the OFA says: "The entire rural community is affected when rural schools are

closed. These schools provide a lifeline for rural Ontario."

In its October report the EIC also recommended that boards be divided into smaller review areas so they wouldn't have to close schools in order to build new ones. Right now, if you have schools anywhere in your boards that are not full, you can't get money to build new ones, even where the population is growing and kids are sitting in portables. The Ottawa-Carleton Catholic District School Board closed two schools last year even though 25% of their students are in portables. It just doesn't make any sense. Closing schools causes children and their families great sadness and often means that children of all ages, including kindergarten, spend up to two hours each way, every day, on a bus.

Ms Dyson: For three years now, People for Education has surveyed Ontario parents and school councils. School by school, parents have counted class sizes, computers and custodians. Last year, 800 schools participated. They checked for worn textbooks, special education reports and specialist teachers. We purposely set out to do a resource inventory of our children's schools. Our annual tracking report allows us a snapshot to see what is happening in schools not only within one year, but to track it over time to see what is happening within the school walls. I'd like to explain some of our findings which have relevance here.

While we have seen class sizes drop, these have come at the expense of libraries, which are open more often on a part-time basis and more often staffed by volunteers; gym teachers, reduced from 41% to 37% within one year; music teachers, from 58% to 53%; and guidance teachers, from 31% to 23%. While we are seeing more education assistants in the schools, parents are reporting that because of the funding formula structures, they are tied to a single student. We're losing the non-special-education assistants.

Some illustrations: My father admired and loved his Christmas gift this year. It was an angel moulded out of gauze bandages that we placed on top of the tree. It was made by my daughter under the careful direction of her education assistant, who works in the common area outside her classroom. She taught my daughter that she could create beauty and magic. This woman has worked at the school for almost 20 years, at a salary of \$22,000, and she's a vital part of our school. Parents are watching our children eating lunch on gym floors or in school hallways with hundreds of others, and just a small handful of adults to supervise them, often again on a voluntary basis. We're watching principals choosing between cleaning snow off sidewalks and repairing broken windows.

In an effort to create healthier and safer learning environments, parent and community volunteers are increasingly being asked to step in. Seventy-five percent of the schools reported some kind of lunch program for students whose parents worked or went to school. There is no provision for this in the funding formula. While we once had an education minister who promised computers

for our children, the ministry's funding formula is so narrow and low that parents continue to sell cookies and muffins to pay for the printer to go alongside the new computer at the back of the class. In fact, we've seen fundraising levels rise at the same time as volunteerism has, something that appears healthy until you look harder.

Some schools in our survey reported raising \$50,000 to \$60,000 in one year for their schools, while others reported no parent fundraising, often because their children were bused from far away, relying instead on teachers to sell hot dogs at lunch to raise the few hundred dollars they could to supplement the school budget. Parents are increasingly raising more money for the schools. Among the 600 schools we surveyed, two years ago parents raised \$5 million; 45% of these schools reported raising funds for classroom supplies, textbooks and computers. Field trips and drama clubs were farther down the list.

We're watching how parents' labour in schools is being used as a substitute for what was once paid labour. We're shelving books now, checking attendance, supervising lunchrooms, and missing the chance to sit quietly in a corner to read to a rapt audience or to go on a field trip. Our work has moved from bringing an extra treat to the kids every once in a while to becoming part of the daily operation of the school.

Ms Kidder: What I somehow want to impress upon you here today is that there is an emergency happening in our education system. I cannot show you bodies on gurneys, I have no stories of ambulances driving around searching for hospitals that will take their patients, but it's an emergency nonetheless. There's no blood in the emergency in public education, so it doesn't make the front page. But for the students going without services and for the parents fighting for their children, it is just as important as those front-page stories. The emergency has been caused for the most part by a lack of funding. In their second interim report on school board restructuring, the Education Improvement Commission said, and this is a direct quote: "The following areas of the funding formula are causing concerns—special education, transportation, pupil accommodation, principals and vice-principals, operations, and board administrations for small, remote schools and small school boards. The EIC recommends that these aspects of the funding formula be reviewed." What's left, one wonders.

In their third interim report, the EIC added to the list of things that don't work in the funding formula. In addition to their first list, they recommended a review of the funding for ESL programs, for French-language boards, for First Nations students and for the learning opportunities grant.

Gay has already described the consequences of the lack of funding for small schools, and Diane has listed some of the results of our tracking project. I want to talk about special education, transportation, ESL and the learning opportunities grant.

The EIC went on at length, in their second interim report, about the problems in the special education formula

and in special education funding. The minister made an announcement last week about changes to the formula, but she did not address the central problems. She says she is adding \$40 million next year, but when you read the fine print, you realize that's just the money the ministry knows they'll have to spend next year because of enrolment increases and newly identified students. There is no increase in per pupil spending for special education, and nothing has been done to solve the problem of all the students and programs that are falling through the cracks, or what's more like chasms, because of flaws in the formula.

The minister's recent announcement does not address the lack of funding for preventive programs and early intervention. It does not help Megan Standing's son, who has Tourette's syndrome but who only qualifies for funding for a half-time education assistant. Megan says, "It's as if the ministry thinks he only has Tourette's until lunch, and then after lunch he's cured." Her announcement doesn't help the children like my daughter Katie in grade 2, who needs help in learning centres, or through early reading programs so that they won't need much more expensive special-ed programs later on. In Durham they're cutting the teachers who work in those early intervention programs, in Ottawa they're cutting special classes for students with behavioural problems or learning disabilities and in Toronto we will lose our reading clinics next year. How can this be happening in our booming Ontario economy?

When the funding formula for transportation was implemented, it included a province-wide cut of 3%. Boards that were the most frugal, that already shared busing with other boards and already triple-bused students, were penalized, because they were cut along with boards that had not yet introduced these reforms. Rural boards, where virtually every student was bused, were faced with five extra days of school and a cut in funding. So now, high school students in the Upper Grand board can't have sports after school any more, because their board has been forced to cut all their late buses. In Huron and Perth counties, students can't help with the farm chores because they're on the bus at 7:30 and not home until 5 o'clock. Bev Rizzi's son, near Thunder Bay, spends three hours a day on the bus.

The EIC came down hard on the lack of funding for appropriate ESL programs as well. They said there's insufficient funding for children like the ones in Kitchener, for instance, who grow up on Mennonite farms and enter school not speaking a word of English. They pointed out that eligibility for ESL funding is based on the country from which the student arrives. Therefore, a board won't receive funding for a non-English-speaking student who recently spent time in England or the United States. Conversely, a board could receive funding for an English-speaking student who just happens to have arrived from Japan.

1350

Most problematically, funding for ESL runs out after three years and we know most students require some-

where in the neighbourhood of seven years. The EIC found that because of the funding formula 50% fewer students receive ESL program support in the York Catholic board.

I'm just going to touch for a moment on the learning opportunities grant. This is the grant for students at risk because of socio-economic factors. We mistakenly assume that this is the big-city, lots-of-problems grant. But when you look at who actually benefits from it—Superior Catholic, Lakehead, Algoma, London—all need this funding and all get some of this funding.

When the government was first developing the education funding formula, it appointed expert panels to look at all sorts of areas and the learning opportunities grant was one of them. Their own expert panel recommended \$400 million but, because this formula is fuelled by fiscal constraints and not student need, the government decided to spend only \$175 million. You have to be more than double the provincial average in at least one of the four qualifying categories to receive funding under the learning opportunities grant. If your board is just under double in every single category, you get no money.

My daughter Katie crawled into my bed in the middle of the night last night. It woke me up and I lay there worrying about what I was going to say here today. The thing is, she came and got in my bed because she had a bad dream or she was frightened by something. She came to a grown-up because she knew I would protect her, keep her safe and take care of her. As adults, that is our job for all children.

As governments and as citizens, it is our responsibility to look out for the best interests of all our children. Our ambulances are with no open emergency rooms. Are the children going without special education programs or riding the bus for hours? They are the students who have lost their music and gym teachers and they are Kayla, who couldn't get help in the office when she was being bullied. We must remember that these children are more important than tax cuts and that the future of our whole society rests with them.

The Chair: We have approximately three minutes per caucus. I'll start with the official opposition, Ms Pupatello.

Mrs Sandra Pupatello (Windsor West): Thanks very much for your presentation. I was especially interested in the comments regarding the rural schools, having just spent some time around Algoma. I realized that in the second-largest riding in Ontario five of the schools in that particular area near Sault Ste Marie, so clearly rural, can't be identified as rural schools and therefore none of the grant applies to them and five of those are closing. Likewise, five are closing in the Sault proper, again because of the funding formula and their inability to be flexible and to move the monies from one envelope to another.

I was also interested in your special ed and was happy to hear your comments regarding the announcement the other day. If you're just watching the headlines it appears as though she's responding to this need in terms of

special ed, but the truth is that there are many students in many areas of the province who, for this past year now, are in school literally two hours of the day, if that. There is just no recompense, there is no recourse for parents. It's pretty astonishing in this day and age that the parents literally have to take their kids home. They are simply not being schooled because they don't have the aides.

I don't know what to add to your presentation other than to support all of the parts that you've identified as real problems.

When you spoke about the parent councils, I wondered if you wanted to comment on the new role that the government clearly identifies for them. I have schools in my riding, one of which can raise \$80,000 a year; a very sophisticated and elaborate fundraising plan that they effect every year. In my same riding I have a school with difficulty getting the parent council together. It's what would be considered a compensatory school. For the most part, the parents aren't speaking the English language yet and don't necessarily understand the concept of what their role has to be as a member of a parent council in the school. They're new Canadians and they're pretty much getting used to the country and looking for work, let alone all these additional responsibilities. I don't see any kind of solace in what's coming down the pike for them because there's such a greater importance being put on what the parent councils have to do in their fundraising capacity, never mind the assessment of their role in the effectiveness of the school.

Then we look at how we seem to be moving towards identifying the "bad" schools and how their kids make the grade in the grade 3 testing, for example. What happens when you have one school with all the wherewithal to have all the latest of equipment available to kids compared to the schools that don't, it's just one cycle that continues and you can't break out and eventually it will result in one school faring very well when they are being marked or graded versus the other, and they're not two kilometres apart.

I don't know if you have comments on that, especially the role of the parent council.

Ms Kidder: One of our main comments has to do with fundraising. We were very concerned about the increase in parent fundraising. It goes against the whole basic premise of the new funding formula, which is to make funding equitable across the province. When you have parents acting as kind of the food banks of education, basically supplementing the education budget, and as Diane said, some parent councils of schools are able to raise zero dollars while others are able to raise \$60,000, it means that some schools go without computers, books, classroom supplies, while other schools have them. It flies in the face of the whole notion of the thing that's most fundamental to public education, which is that it provides a fair and equal education to every child.

Mr Christopherson: Thank you for an excellent presentation. Again, if you sit here even just for a few hours, if you listen to some of them talking about the boom, you'd think that this really was the land of milk

and honey and that everything is just wonderful, and the reality is it's not.

If I can just first of all underscore the issues that you raised. I mean, they just rang so many bells. I'm from Hamilton—I represent Hamilton West—and I'll touch on a couple of them.

First of all, I'm not sure which one of you mentioned the idea of the ministerial pay cut. You're the first person after myself to raise that aspect. I've been a cabinet minister, so I understand that world. I think that is a key part of this and I'm glad you've brought that forward, the whole notion that somehow it's a good idea that ministers will be penalized if they run any kind of deficit. All that does is say that if money's that important to them, and obviously money's everything to these folks, then as soon as you're going to cross over the line where you're going to be running a deficit, regardless of what the need is in your ministry, whether it's education or health, you're going to be saying: "Cut it. Find the cut. I don't care. Get \$600 million out of that budget because I don't want my wages to be cut." That's a horrible way and a terrible premise on which to base ministerial decisions.

You mentioned Kayla. Kayla is the name of my daughter, so that was the start. You talked about sharing principals. I've got a small school in my riding, an excellent neighbourhood school that's fought off closure for probably 60 years. They share a vice-principal. They don't even get to share a principal; it's sharing a vice-principal.

Tourette's syndrome: We have a couple of examples in Hamilton where we've got young students who have Tourette's syndrome. They can't get into school. There are not the support services for the EAs to let them get into the classroom.

Eating lunch on the gym floor: I've been in schools in my riding, and that's what they do. The only reason they can even do that is because the parents come in and volunteer. Here you've got a whole gymnasium that looks like there's been some kind of an evacuation, like there's some kind of—well, there is a crisis going on, but it looks like you've had some kind of an earthquake or a flood. You've got all these kids all over the floor in a gymnasium, and that's where they're eating lunch.

Ms Dyson: And it hasn't been cleaned.

Mr Christopherson: That's a problem because the custodial services have all been cut.

The \$50,000 to \$60,000 being raised by some schools and zero for others: Sandra pointed out the example in her riding. The other thing too is the socio-economic levels of where you are in terms of your geography. It's going to be a whole lot easier—pick a community. It's going to be a lot easier in Markham, where they have one of the highest per capita in the country, than it is in one of the inner-city schools in my riding to be able to supplement the basic, fundamental money that schools need to operate. This is an ongoing problem, and yet they'll tell you they've equalized things. Nonsense. They haven't. They've created more discrepancy.

The notion of moving from treats to being a main part of the day-to-day operations—so true. So sadly true. I think it was your point that parents have become the food banks of education. This is such an upside-down world from the one we were raised in and so far different from what needs to be.

I want to ask you—I think I know the answer, but I'd like to get it on the record. With all of what you have said, is there any way at all you can imagine that the tax cuts that have benefited the very wealthy in Ontario are worth the kind of deterioration to the education system that you're seeing?

1400

Ms Kidder: No, they're not. I don't think any parent thinks they are.

I just want to add one thing to the 25% cut in the ministerial pay. The reason it came up is that one of the boards went to the minister because boards had been promised stable funding over a number of years so they could plan. It's something that boards really needed. The minister told them they could not have that funding, they could not know what their funding was for next year, because she had to have a balanced budget each year or her pay would be cut by 25%. So now they can only know on a year-by-year basis, and this was from Janet Ecker.

Mr Christopherson: Well put. Thank you again.

Mr Galt: Thank you for your presentation. When you mentioned about that bus in Huron country coming at 7:30 in the morning and getting back at 5, it brings back memories. I was just thrilled to get a bus, because before that there were no buses. That was roughly the time—

Interjection.

Mr Galt: Not quite that extreme, but almost. But my father made sure I still had time to do the chores; there was no question.

Closing of schools: I sat on the school board locally in the late 1970s and I did close schools and I took the hard knocks then. Now we don't have to close schools in my riding because those decisions were made at that time.

But as we talked about having lunch on the gym floor, there's one school north of me that does not have a gymnasium. The school board has seen fit not to put one in there, and that's been through all the other governments, ours as well. They've been asking for a gymnasium since the late 1970s and as yet haven't got it.

One of the problems I have as an MPP is to try to sort out what is rhetoric and what is the real thing going on out there. I'll give you some examples. I was invited to a school earlier in my term, and I think it was 47 students, give or take a student or two. They had the press there, trying to embarrass me and saying, "Isn't this awful?" It was a year and a half later that I found out that room had a teacher and a half designated to it, but they were trying to tell at the time that it was only one teacher; that was the impression they were trying to leave. They didn't quite say it, but that was the impression that was left. I was embarrassed—there was the press there and all the

rest. I found out a year and a half later what was really going on.

The laying off of teachers: When I was first elected, 300 teachers a year laid off the first April, given their pink slips, and they ranted and raved around my office. I think it was about embarrassing the local MPP. What happened in September? They were all hired back, plus more.

I think I sorted out on this textbook thing that we've heard so much about, and that happened to be the first week in January. We MPPs were being told there was all this money being spent. The union was coming back saying, "There are no textbooks." What in reality I understand was happening was that the textbooks hadn't been printed yet. But, you know, it was a confrontational approach to come to us rather than come and discuss it in a reasonable sort of fashion.

I think we've done a lot for education accountability with testing, with report cards, with curriculum, and certainly, in a non-partisan way, teachers will agree to that.

But my question to you has to do with the recent UN comment about Ontario being discriminatory as it relates to our present policies with a separate board being funded for the Roman Catholic faith and the public board. I understand you are very adamantly opposed to any monies flowing to other religious schools or private schools. Could you expand on that for me, please?

Ms Kidder: It's interesting that that's what you bring up after this presentation. It's a pretty amazing question to ask. I also want to note that all of your comments that you made before were all about teachers. We're not teachers; we're not funded by teachers; we're not attached to teachers. We came here as parents to explain the problems that parents are having, which were none of the things that you commented on, to do with special education, to do with busing, to do with lack of services for our children.

When you talk about that poor school with no gym, one of the things that the Education Improvement Commission brought up was that in the funding formula there is not enough money for school renewal. They talked about boards with old schools, that there is not enough money to build additions on schools, that there is not enough money to put new roofs on schools. That's what your own Education Improvement Commission says about the funding formula.

We have never made any statements about funding for religious schools or the UN appointment. We have never talked about it all, as a matter of fact. It's not one of the areas we've been concerned about. What we've been concerned about is the school system that we have, which funds Catholic schools and non-Catholic schools and French schools. We believe they are all part of the public education system. We've been fighting for full funding for those schools because they are part of our public education system, which as Canadians we always used to believe in, and that's what we care about and we focus on.

I think that bringing up all these teacher issues or how you felt embarrassed by teachers has nothing to do with us. You can speak to the teachers about those issues.

What we're here to say to the government is that there's serious damage being done to children in classrooms right now. It's only this year, when it's not a crisis now—there are not teachers on strike, there are not huge polarized fights happening—that parents are feeling this. We just had a conference in the fall with parents from all over Ontario saying, "What can we do now that we see what's happening?" To bring up all these complaints about teachers, I don't quite understand, or the UN ruling.

Mr Galt: It was about the union; it wasn't on teachers.

The Chair: We've run out of time. On behalf of the committee, thank you very much for your presentation this afternoon.

CENTRE FOR EQUALITY RIGHTS IN ACCOMMODATION

The Chair: Our next presenters this afternoon are representatives from the Centre for Equality Rights in Accommodation. Could you please step forward and state your name for the record.

Ms Sherrie Tingley: I'm Sherrie Tingley from the Centre for Equality Rights in Accommodation.

Mr John Fraser: I'm John Fraser from the Centre for Equality Rights in Accommodation.

The Chair: On behalf of the committee, welcome this afternoon. You have 30 minutes. You may proceed.

Ms Tingley: Before I begin I wanted to just touch briefly on the committee process.

We were thrilled to have an opportunity to come and speak with people today. We put a lot of effort into discussing all the issues that are out there and what are our priorities and thinking about the best way to explain things. I'm a volunteer with the Centre for Equality Rights in Accommodation. It's a volunteer position so I'm coming today as a volunteer to speak with you.

I want to talk about homelessness in Ontario and the case for a needs-based shelter supplement. When the media, politicians and housing advocates talk about homelessness in Ontario, they generally focus on a lack of affordable housing. Increasing the supply of rental housing is seen as the key to combating homelessness. Part of the reason for this supply-centred conception of homelessness is that the issue is being defined to a great extent by the specific housing situation in Toronto. The Centre for Equality Rights in Accommodation is a provincial human rights and housing organization and we're coming at things that way. Toronto has a very low vacancy rate, 0.9%, and as a result increasing the stock of rental housing is a high priority. Increasing housing supply alone, however, even in Toronto, will not solve the crisis of homelessness.

In the recently produced *Where's Home?* study, 47% of the Ontario municipalities surveyed had vacancy rates

greater than the commonly accepted minimum rate of 3%. In addition, as the study pointed out, there appears to be no correlation between vacancy rates and the extent of affordability problems in the different municipalities. In 1995, 24% of tenants in Sudbury were paying greater than 50% of their income on rent, even though with a 6% vacancy rate there was a plentiful supply of rental housing. In Toronto, 23% of tenants were in the same situation and the vacancy rate was less than 1%. The vast majority of municipalities where vacancy rates increased between 1994 and 1998 still showed rent increases over the same period.

As the *Where's Home?* study illustrates, homelessness in Ontario is not simply a question of the demand for rental housing outweighing the supply. It is most importantly a problem of inadequate income to cover housing costs, especially for families with children. Whether it is plentiful or not, thousands of Ontarians simply cannot afford shelter. Unless we recognize the depth of poverty and its role in homelessness, we will never be able to adequately house our most vulnerable citizens.

1410

Mr Fraser: I'm going to talk a little bit about the affordability squeeze for social assistance recipients and for people who are working with low incomes and not receiving social assistance.

In October 1995, social assistance benefits were cut by 21.6% across the province, causing immense hardship for families already struggling to make ends meet. Considering median gross rents in selected municipalities in May 1996—the municipalities are Toronto, Hamilton, Windsor and Ottawa—the cuts to benefits had an immediate, staggering effect on the ability of households receiving social assistance to pay for shelter. As you can see, if you look at the first table on page 2, a single parent with one child receiving social assistance would potentially have had to pay 73% of her income on rent in Toronto, 56% in Hamilton, 65% in Ottawa and 60% in Windsor. In all of the selected cities, the shelter allowance component of social assistance was well below median rents.

Professor Michael Ornstein, co-director of the Institute for Social Research at York University, calculated that welfare cuts in 1995 forced at least 67,000 single parents from their existing housing. This was almost certainly the largest economic eviction of families with children in Ontario's history.

If we go further, to 1999, and calculate a rough estimate of rent increases to October, the situation for households receiving social assistance becomes significantly worse. In Toronto in late 1999, as you can see in the second table, figure 2, a single parent would potentially have to pay 82% of her income on rent, in Hamilton she would potentially pay 62%, in Ottawa 68% and in Windsor 62%. So we see that between 1996 and 1999, the single-parent's income remained unchanged but the rent increased by as much as 12%.

The hardship faced by people receiving social assistance becomes particularly stark if we isolate the impact

of rent increases on the money a person has left over to pay for other basic necessities such as food, clothing and transportation. Using the example outlined above, a single parent with one child in Toronto was left with \$295 to pay for non-shelter items in 1996, and \$199 in 1999. Thus, a 12% increase in median rents over the three-and-a-half-year period corresponded with a 33% decrease in the money left for other basic necessities. Rent increases have an exaggerated impact on basic-needs income. Food and clothing certainly did not get cheaper between 1996 and 1999.

The loss of income for non-shelter items is particularly problematic if we look at communities that are outside of major city centres, where many non-shelter costs such as transportation are significantly higher.

To account just for increases in rent, shelter allowance levels alone would have to increase by 20% in many circumstances to place Ontario Works recipients in the same desperate financial situation in which they found themselves in 1995, after the cuts. Just to bring people back to their position after the cuts in 1995 would require a significant increase to shelter allowances.

The situation for low-income working households that are not receiving social assistance is also very desperate in Ontario in terms of housing in the rental housing market. Those who are employed are particularly hard hit by housing costs in Ontario, and this is very much true for families with children where one or two parents are employed in low-paying jobs. Minimum wage is the same whether you are single or whether you have children to support.

If we look at median rents for 1996 in the selected municipalities, we see that a single parent making a minimum wage will have to devote an inordinate amount of her income to shelter. She would be paying more than 50% of her income on rent in all but one of the four municipalities selected. The picture looks significantly worse if we project the affordability squeeze to 1999. In each municipality listed, a single parent working for minimum wage in late 1999 would likely be paying over 50%, and in some cases as high as 68%, of her income on rent.

We want to stress, though, that the numbers we've described above in all likelihood underestimate the impact and the severity of affordability problems facing low-income households in Ontario, whether they're employed or whether they are in receipt of public assistance. These households usually have to pay more than the average or median rents. That sounds insane, but that's the experience we had, and the research we are aware of has supported that. These households usually have to pay more than an average or median rent because, when searching for housing, low-income families face a range of discriminatory and systemic barriers which keep them from renting the most affordable apartments they can find. They are refused by landlords because they are on welfare. They are refused by landlords because of their income levels, because they have children. They are refused because they don't have the last month's rent and

can't afford to pay the last month's rent and it's not provided anymore by municipalities. They're refused because they may not have a credit history yet, if they are a young family of a newcomer. As a result, low-income households are pushed into undesirable and overpriced accommodation.

An analysis of census data by Professor Ornstein found that families with children living below the poverty line usually have to rent the most expensive apartments in the market. In 1990, 74% of single mothers with two children, living below the Statistics Canada low-income cut-off, who rented an apartment during the one-year period, had to rent an apartment above the most affordable third of units on the market, and this is controlled by size. Over half had to rent apartments, believe it or not, in the most expensive third of the market. They're not renting the cheapest apartments and they can't.

The housing affordability problems faced by the low-income households outlined above are simply impossible. Whatever way we decide to look at it, we cannot ignore this one fact: In Ontario thousands of single parents, young families, people receiving social assistance, youth, people with disabilities and the elderly do not have adequate incomes to afford decent shelter, a basic necessity and a fundamental human right.

Legislated homelessness in Ontario has been condemned by both the United Nations committee on social, economic and cultural rights and the United Nations human rights committee as a blatant violation of international human rights.

Ms Tingley: A needs-based shelter supplement: This is what we really came to talk to you about. Some people are of the view that the only solution to homelessness is to build more affordable housing. This should certainly be part of the solution and makes sense in cities such as Toronto that have a very low vacancy rate. However, it can only be part of the solution.

Indeed, in cities with higher vacancy rates, such as Thunder Bay with a vacancy rate of almost 8%, it would make little sense to focus on building new housing. The majority of low-income households in Ontario are housed in the private rental market, and we have no reason to believe that this will cease to be the case in the future.

According to data from the Ministry of Community and Social Services, 84% of households in receipt of public assistance live in market-rent apartments. Given the reality of the rental housing market in Ontario, dealing with the income side of the equation is the most important component of any strategy to end homelessness, which I'm sure the Ontario government is committed to. This government was elected on a promise to institute shelter allowances for households with affordability problems. It is an urgent necessity that it come through on this promise in the upcoming budget.

There is some misguided notion among a small minority that shelter allowances or income supplements to help families living in poverty pay for housing simply line the pockets of landlords. This myth simply justifies

complacency about the immoral and unacceptable level of poverty in Ontario, and I'd add hunger. There's absolutely no evidence that rents are adjusted to capture housing allowances, which would vary depending on income and would be confidential information which not even a landlord would have access to.

A shelter allowance program is simply a means of adjusting the incomes of the most disadvantaged households in our society so they can afford life's necessities, such as shelter. We don't criticize tax credits for poor families as a means of subsidizing landlords. Similarly, we don't criticize income supports which are a response to the reality of rental housing in Ontario. The program would have to have two components: one for people on social assistance and one for low-income households in paid employment who do not receive social assistance. For people on social assistance, shelter allowance levels must be raised to better reflect actual rents across the province. Shelter allowance levels could be calculated based on Statistic Canada's median gross rents for each major city in Ontario, as recommended by Toronto's Homelessness Action Task Force. However, we do not agree with the task force's suggestion that shelter allowance levels be set at 85% of median market rent. This is inadequate. As discussed earlier, because of the many barriers faced by low-income households in their search for housing, it is impossible for most families to find accommodation under the median rent levels. Shelter allowance levels should be set at least at the level of median market rents.

1420

Income supports for employed people would be equally essential. As discussed earlier, families with children who are dependent on low-paying employment have always been particularly disadvantaged in our society. An income support program for housing would be a means of correcting the inequality created by a wage payment system which ignores the financial realities of families. The program must be available to all those who need an income-based needs assessment. The recently announced rent supplement program is not the universal shelter allowance promised by this government and so desperately needed. It is limited to 5,000 subsidies across the province. In addition, the program is administered through local housing authorities, which in Ontario utilize chronologically based rather than needs-based waiting lists. The result will be that disadvantaged households will be unable to access the rent supplements at their time of greatest need. Young families, newcomers, those most at risk of homelessness, will not benefit from this program.

The crisis of homelessness in Ontario is far more than what you see on the streets. Women and children are by far the largest groups affected by the cuts and by the erosion of income since this government took office. If we are to help low-income people get housing, we have to give them what they need: an income which helps them pay the rent, prompt access to last month's rent deposit, far better protection from discrimination so that

they can access the most affordable housing available and in areas with a supply problem more, affordable housing.

The Chair: We have approximately three minutes per caucus and I'll start with Mr Christopherson.

Mr Christopherson: Thank you for your presentation. I'm sure you were here for the last presentation about the school system and what's happening and the group of mothers that were here. I couldn't help but think that with the two of you back to back, one dealing with the education crisis and you dealing with the poverty crisis, the homelessness crisis, at the same time the headlines are screaming, "We've Never Been Better Off," "It's the Biggest Boom Ever," "Things are Great." If anything, it just points to the fact that building a strong economy is only half the job. What a government allows to be done with the generation of that wealth is the other half of the job. It's morally bankrupt in my opinion, and in that of the NDP, to be giving so much of that wealth to people who are already well off at the expense of the issues that you've raised, and the group that came in before. There's just something totally cockeyed about a world that works that way.

I wanted to ask you about the issue of income supports, just so we're clear. I don't think our view of this is different, but I wanted to explore it a bit. You spent a fair bit of time talking about the issue of providing shelter allowances because it deals with the reality that non-profit homes aren't there, affordable housing hasn't been built. Of course, there were 17,000 units that were chopped within weeks of the government taking power in 1995, units that we would now have, where people could be living. There's always been a huge component of shelter allowance but we in the NDP happen to believe very strongly that as much as possible money that's going to go into housing ought to go into trying to build the right kind of housing in the right locations and the right mix, all the things that we know from experience will give us the potential for a maximum outcome.

I just wanted to be clear it's not that you're opposed to the building of them, it's just to put all the money there and say that will take care of it in the short-term isn't going to solve the problem because they aren't built yet, or are you like the government and think we ought not build anything and everything ought to be shelter allowance?

Ms Tingley: I think we talked about supply being a component, but you can't allow shelter allowances—for people who may not have seen the table, the welfare rate for a single parent in this province is \$950 and the shelter component of that is \$511. So you're paying out \$511 to a mother and child, or to a single parent and a child, in this province to obtain housing. You can't allow that because most recipients rely on the private market at this point and it will be a long time that that will happen. You cannot allow shelter allowances to fall that far behind.

You talked about prosperity. I would just say that people cannot share in the prosperity if they're hungry or if they do not have secure housing. Having spent a lot of

time in this province talking to people on social assistance, they desperately want to share in the prosperity, they're optimistic because of what they're hearing, but they cannot do it when they spend their whole day going from food bank to food bank to ensure that they have enough food, that their children are able to eat. It's just not possible to participate or to find the energy to do the things you need to be a participant and to share in the prosperity.

Mr Arnott: Thank you very much for your presentation and for coming in today. There have been quite a number of presentations concerning the housing issue, and yours is another one which again provides a different perspective, I think it's fair to say, from what we have heard to date.

There is a question I had relative to something you said during the course of your presentation. On page 4 you talked about a study done by someone named Professor Ornstein which "found that families with children living below the poverty line usually have to rent the most expensive apartments on the market." I just wondered if you could tell me if he gave you any advice or conclusions in that study as to why that was the case.

Mr Fraser: His view on it, to our understanding, is the same as our view on it, that there are a number of barriers in place both in terms of discrimination and systemic barriers which essentially reduce the pool of rental housing which low-income households can apply to. Even looking at it from a market perspective, by decreasing that pool you're putting people in a position where rents can be raised unfairly or inordinately because landlords who do rent to people who are on assistance know that a lot of landlords renting the most affordable apartments will not rent to them. So they are stuck.

Ms Tingley: I would just add that a large part of the work that we do at CERA is to assist people who are facing discrimination in housing. So we do get calls from people, we try to mediate and then, in some cases, file human rights complaints. It is illegal to not rent to people on social assistance, but many landlords go to various means and close off their units to people on social assistance, although there is no business case for that.

Mr Fraser: It's something that's very frustrating for us in our work because we are trying to mediate with landlords to get someone an apartment where they would be paying 55% or 60% of their income on rent. We can't get them that apartment. The person ends up renting something where they end up paying 75% of their income on rent.

Ms Tingley: The previous government recognized the important role of CERA in terms of the housing sector and funded us under the Partners in Housing program that supported a whole bunch of groups that did this work. Your government doesn't fund any housing sector partners any more. That may be something you want to look at if you want to influence what does happen. You may want to look at reinstating some of those funding programs so that we can do the work to help families save money.

Mr Arnott: I suppose if there were available resources, that's something the government might look at, but we're glad that you're still in existence as an organization and still able to come in and make such a professional presentation.

Mrs Pupatello: Thanks for coming in today. I noted with interest that today we had the Ontario Home Builders' Association in. You are in agreement with that organization to institute shelter allowances. Are you making an assumption that the government, if they are going to do this—I didn't ask the home builders this—would then increase the shelter allowance, not only institute it but give a huge increase to what the value of it is so that it keeps it at the 30% of the total income being spent on housing?

1430

Ms Tingley: Welfare benefits in the province have never been structured that way, so I don't anticipate that that would happen. But we're saying the shelter component in the welfare benefit should reflect what it costs to rent in the community, and it's probably what the home builders said today, I suppose.

Mrs Pupatello: So that when you say you're supporting the institution of shelter allowances for households, that's different from what is currently happening in the portion of the welfare allotment for shelter?

Ms Tingley: We're saying that within the welfare benefit the shelter component should reflect what people have to pay for shelter and we're also saying that for the working poor there should also be a shelter allowance program based on need.

Mrs Pupatello: There was some really alarming information yesterday at the hearings about how many units would have to be built to accommodate the need. It was some wild figure like 20,000. The home builders said today and yesterday they're just not going to build it. There's no influence, there's no return on investment to warrant that kind of building and they're not going to do it. Today one advanced the notion of dropping the PST on building materials and then suddenly they'll start building units. I personally don't think that would be the case. There have been lots of incentive programs in the past that haven't worked. I think they have to make a profit or they won't build the homes.

You noted that there's 84% of these recipients who live in the market rent apartments in any event, so that if you were talking about what the shelter allowance was, if it was appropriate, they would go into—I mean, if you have to find an apartment in Toronto tomorrow you can if you can spend money on the rent. The rents are enormous. It's not that they're not there; it's just you can't afford to pay.

Ms Tingley: I was interested to know what the government does see as a reasonable expense for MPPs to obtain shelter in Toronto.

Mrs Pupatello: You ask an interesting question—

Ms Tingley: You are paid.

Mrs Pupatello: —because they all tend to live in the downtown area, which is going to be the more expensive

area, and the allotment is certainly higher than what is given.

But in any event, I want to go back to what that figure's going to be. You are assuming that it's going to go up—

Ms Tingley: Yes.

Mrs Pupatello: —that this is the group, the Conservative Party, that is the most likely to meet their promise in their Blueprint now, or whatever it was called before, to go with the shelter allowance. If that's going to be effective and make any difference at all, it's going to have to be increased by in some cases 50% to keep it at the amount that you should be spending on rent.

Ms Tingley: The way that the welfare benefit is structured is that your shelter component is only paid out if you pay that out in shelter. So if somebody was living in a much cheaper place, they only get what they pay out in shelter. We're saying to set it at a reasonable rate based on—

The Chair: With that, we've run out of time. On behalf of the committee, thank you very much for your presentation this afternoon.

CHILD CARE ADVISORY
COMMITTEE OF TORONTO
CHILDREN AND YOUTH ACTION
COMMITTEE OF TORONTO

The Chair: Our next presenters represent the Child Care Advisory Committee of Toronto. Could you please step forward and state your name for the record?

Ms Cheryl DeGras: Good afternoon. I'm Cheryl DeGras. I'm the co-chair of the Child Care Advisory Committee of Toronto.

Ms Fiona Nelson: My name is Fiona Nelson and I'm representing the Children and Youth Action Committee of Toronto.

The Chair: On behalf of the committee, welcome, and you have 30 minutes for your presentation.

Ms DeGras: The Child Care Advisory Committee of Toronto represents more than 600 child care centres, home child care agencies and family resource programs and special-needs services, as well as organizations which support the provision of quality child care in our city. The CCAC, as we're known, is an advisory committee to the city of Toronto city council and has for many years provided advice and support to both elected representatives and staff of Toronto Children's Services.

I'm pleased to have an opportunity to speak with you today about the challenges, both financial and operational, facing the child care system in Toronto. As a major partner from both the financial and policy perspective, the province can provide the needed solutions.

The licensed child care system provides many benefits to children, families and society as a whole. Quality, licensed child care gives children a wide range of social and developmental benefits. It allows their parents to

work or attend school, secure in the knowledge that their children are well cared for.

The federal costs and benefits study released by Cleveland and Krashinsky clearly shows that quality child care is a sound long-term investment for governments. These two economists found that for every dollar invested in quality child care there is a \$2 return in social and individual benefits.

As child care providers, we believe that recent provincial funding and policy decisions have threatened the child care system in Ontario. I'm here today to recommend that the upcoming budget contain the financial measures and the policy adjustments which will ensure the survival of the child care system for all the children who need it.

In November, the province made an announcement on the treatment of user fees from subsidized parents. The province intends to reverse the change made to regulation 262 in 1997 which allowed municipalities to keep 100% of user fee revenue. This constitutes an \$11.8-million annual loss to the city of Toronto and could translate into the loss of 8,500 child care spaces. This provincial decision is a serious threat to the child care system in Toronto. The CCAC recommends that the province not proceed with this change and continue to allow the city of Toronto to keep all the user fees collected from low-income parents.

The child care system, including home child care, special needs and family resource programs in Toronto are not adequately funded. There are not enough resources to meet the demand for subsidized care. In Toronto, approximately 12,000 children remain on the waiting list for subsidy. Another 21,500 will need care once Ontario Works is fully implemented.

The province has not been providing the money necessary to meet the demand for licensed care. In the city of Toronto, child care programs are feeling the effect of this underfunding. We have not paid the actual costs of providing care since 1993. Rates for home child care providers have been frozen since 1991. This situation of underfunding is acute and undermines the stability of the system as a whole. The child care community struggles to make ends meet. Therefore, when a new expectation arises such as pay equity obligations or provincial directives for playgrounds, we have no ability to respond and are thrown into crisis.

Over the past two years, the city of Toronto has attempted to expand access and to ease our financial burden by putting up \$3 million to fund 2,000 child care spaces. The province has declined to provide its share of funding so this expansion never occurred. If the province truly wants to see its initiatives like Ontario Works succeed, the Child Care Advisory Committee recommends that the province agree to cost-share the new spaces in order to allow the expansion to meet the child care demand.

Not only has the provincial government limited access to subsidized care, it has constrained the expansion of the child care system. The province no longer provides cap-

ital funding to assist child care programs in building or renovating new facilities. I'd like to add that there is also no funding for maintaining the buildings that we already have.

To make matters worse, the educational funding formula will negatively impact the current stock of available space. Currently, there are 325 child care centres providing licensed care for more than 17,000 children, as well as 18 family resource programs located in our public schools. This partnership is at risk as boards struggle to manage with reduced provincial funding.

The Toronto District School Board and the Toronto Catholic District School Board have announced an initial list of schools to close in June 2000. These schools house nine child care programs and two family resource programs. Child care programs located in receiver schools could also be affected. It is estimated, for example, that an additional 20 child care programs in the Toronto District School Board could be affected when the enrolment to receiver schools increases to accommodate the immediate closures. In addition, the education funding formula does not recognize child care as a legitimate cost of education. The school boards are now forced to increase occupancy costs to programs. Since child care programs have no ability to pay the rents the school boards are looking for, the city of Toronto will be asked for this funding. The CCAC recommends that the province re-establish child care capital funding and re-evaluate its funding formula to recognize child care as a legitimate cost of education.

1440

The most recent crisis has been that, effective this fall, the province now requires all licensed child care programs to comply with the 1998 Canadian Safety Association standards. It is estimated that as many as 718 of the 750 licensed child care programs in the city of Toronto may need major retrofit or replacement in order to comply. The CCAC embraces the attempt to ensure that outdoor play environments are maintained in a safe manner, but the CCAC feels strongly that the province must commit adequate resources to accompany this directive.

Ontario Works and LEAP: Other provincial policies such as Ontario Works and the Learning, Earning and Parenting program undermine the stability of the current subsidized child care system in Toronto. The recently released operational review by KPMG Consultants confirms that there is not enough child care to meet this demand. "It is inconceivable that the Ontario Works program could succeed in the long term"—and this is a quotation from their report—"with inadequate access to child care." The Child Care Advisory Committee and the city of Toronto are committed to licensed, quality care provided on a first-come, first-served basis with geographic and age equity and full parental choice. The advisory committee is concerned that these clients will be given priority for service over other clients already waiting for care. LEAP clients could exhaust high-priority service for infants and toddlers, leaving the city of

Toronto unable to serve other families. There is a real possibility that Toronto's child care system will be eclipsed by clients on social assistance, and working families will be denied access.

In closing, let me again thank you for the opportunity to explain the pressures on the child care system in Toronto, a system that is both complex and delicately balanced. As we have pointed out, provincial policy and funding decisions threaten to upset this balance and the ability of the city of Toronto to meet the needs of all our families.

This week, Finance Minister Ernie Eves has boasted about the strength of Ontario's economy. The provincial government must hear that this economy is based on the ability of parents to work. Parents cannot work without quality child care options. The time has come for the provincial government to invest in the future by adequately funding and increasing access to high-quality child care services. Thank you.

The Chair: Thank you very much. We have approximately five minutes per caucus. I'll start with the government side.

Mrs Molinari: Thank you very much for your presentation. It's certainly something that we all agree on, that children are our future and we need to do whatever we can that is available to us to protect that. Some of the comments that you've made with respect to the child care centres that were at risk, as you mentioned, because of the school closures that have happened in some school boards—I guess the question came up years ago when the child care centres were built attached to schools, and doing that appeared to be a good idea. As much as it's important for proper child care to be available, I guess the question that comes is, is it an education ministry matter or is it another ministry's? That's where the co-operation between ministries is necessary in order to provide the service, regardless of where it comes from.

One school in my area in Thornhill has done some creative things with respect to providing child care with the schools. One of the schools was at risk of being closed because of the lack of enrolment and because of the community no longer having the students who were of that age to attend that school. So what they did was they got together with various organizations and came up with a very, very clever plan and presented this to the school board, and it was adopted. That was to use a portion of the school for child care services, which appeared to be a need. There was a growing group of students, of children of a younger age who were moving into the area. It was a transition neighbourhood. It was very creative in what they did in providing for that service.

I'm hopeful that a number of other communities would work in partnership with the various organizations to see what needs there are in the specific communities. I hope you'll agree that not every community needs the same services. Each community is ideal on its own and so whatever services are needed are the services that are provided.

I welcome some of the recommendations that you've made here and some of the comments. Certainly, as a government, when we're hearing different views from different people, we need to take all of that and put it together and then have the difficult decision of deciding how to distribute the pot of money that is there to be distributed.

Again, I thank you for your comments and your recommendations. Certainly they will be looked at in the next few weeks, along with all of the others that are coming in. Thank you again for all the work that you do on behalf of children.

The Chair: You still have two minutes on the government side. If not, I'll go to the official opposition.

Mr Phillips: I appreciate the presentation and clearly welcome Fiona Nelson. Not that we don't welcome you too, but I've watched Fiona in action for probably 35 years and I don't think anybody has done more for kids in Toronto, maybe Ontario, than Fiona. A lot of us lose our flame as time goes by, but Fiona never has. Thank you very much for all you've done. You've been terrific.

Just on your recommendations, the government will always say to us, "We are spending more money than any other government in the history of the world on child care." My suspicion is that they may in fact be using some of the money that comes from the federal government that's shown as their own expenditures, as they've done in the millennium fund. Have you had a chance to look at the government's numbers when they say they're spending more than any previous government and what comment might you have on that?

Ms DeGras: As supervisor-director of a child care centre in the city of Toronto, you can tell us that you're spending more money and you can present it to us in many ways, but I can tell you what it feels like after providing care for 10 years in the same daycare centre. We are doing more with less every single day.

I want to point out that on page 2 it talks about the fact that our per diem rate in group care has not been increased since 1993. That means my staff have been earning the same dollars. In fact, because some of the grants that we depended on have been terminated, we are earning less than we were earning in 1993. Parents' work hours are increasing so they want us to stay open longer. It's exhausting our staff. The people who are paying the actual cost for child care in this province are the staff who work in the daycare centres. It's an invisible cost. It doesn't show up on any budget line.

Mr Phillips: I was surprised at Mrs Molinari's comment on the schools, about why don't you just go to the schools and set up child care there. My experience with the schools is that they are now so handcuffed by the "funding formula," particularly school boards that need to build new schools, that they can't build new schools if they've got any space at all in existing schools. The exact opposite of what she says is what's happening and that is that school boards are saying, "Sorry, but we can't have you any longer in there because we have to have pupils in there or else we're going to have to close some additional

schools." That has been my experience. What's your experience dealing with school boards, in trying to find the space for child care?

1450

Ms DeGras: The Toronto District School Board is the one I'm closely associated with, because the centre I run is in the City Adult Learning Centre. For 10 years, the school board has tried very hard to accommodate our program and to accommodate the community in which we work, and the demand for child care in that community is very high. But they are so cash-strapped at this time that there is nothing they can do. In fact that's another area in which we are scrambling.

At this point they are looking at the very serious situation where they are going to have to decrease their caretaking staff, which is going to add another cost to our operational budgets. We don't have the money to do that and we don't know how we'll be able to continue to meet the standards parents expect without some miracle. It's very frustrating. As I said to you, this is another thing where staff are supposed to be early childhood educators working directly with the children, but the pressure on us to provide additional services in terms of health and hygiene is pulling our resources apart. As I said, the Toronto school board tries to do what they can, but they don't have the money to do what they're supposed to be doing as educators. They are in difficulty too.

Mr Christopherson: Thank you both for your presentation. Just to pick up on the last point you raised, it's increasingly frustrating for us on our side of the house to watch our communities battling each other, knowing that it's not the desire of either party locally to pick a fight. We watched it in Hamilton with our public transit drivers and the local regional council—I used to be a member of the regional council, so I understand the issues.

We had a three-month strike, and what hurt was that the whole community was divided between who supported the regional councillors and who supported the bus drivers. Yet I and others who watch the provincial scene knew that the invisible hand in this fight, the one that was poking both sides in the eye, was the provincial government. It was their cuts in transfer payments that put the regional councillors in an untenable position.

You raise the same issue when you talk about school boards versus parents or school boards versus teachers. It's pitting one part of our community against another, which of course this government knew all along. There were those of us who were on the record in Hansard way back in 1995 and 1996 who pointed out, "Look, all these cuts in transfer payments are meant to do two things: (1) give the government the ability to stand up in the next election and say 'Aren't we wonderful? We cut taxes at the provincial end by X dollars,' and (2) to push the fight to the local scene." Because it's the local councillors, the local aldermen, the local school board trustees who have to make the decisions on which schools they're going to have to close. It's not whether they want to but which ones they are going to have to close. It's the same with the child care programs. The tightness of money or the

lack of money is not the fault of the school board; it's the fault of the province, which now controls 100% of the dollars.

I want to ask you specifically: In her comments, one of the government members talked about, "Well, we had to look at whether it's education funding or community and social services funding, or should it come from somewhere else?" Do you give a tinker's damn which ministerial pocket it comes out of, or are you far more concerned about making sure the money is there to take care of our kids?

Ms DeGras: Well, the last picture you painted is the one that best describes our situation.

I just want to note that Fiona Nelson, from the Children and Youth Action Committee, hasn't presented her position. We need to do that.

Ms Nelson: Mr Chair, ladies and gentlemen, the children and youth action committee of city council was set up a couple of years ago with the specific objective of making sure that the non-voting members of the society were front and centre at the city level. We were therefore very pleased when the government commissioned the Honourable Margaret McCain and Dr Fraser Mustard to produce this quite wonderful report. We are assuming of course that in this budget it will be implemented. The recommendations are very clear. While you have heard from Ms DeGras and other deputants today a great deal of statistical data backing up the reasons to do some of these things, I'd like to give you two other contexts within which to look at the problem.

One is the economic context and the other one, perhaps the more compelling one, is the moral context. To start with the economic context, I am quite sure that you are familiar with this excellent book that has just come out called *Developmental Health and the Wealth of Nations*. We take a great deal of pride in Ontario in being part of an extremely wealthy and economically healthy province. But when one looks under the covers, one finds that in fact while some people are doing remarkably well, there is a huge gap developing between the haves and the have-nots.

Among the large and increasing number of have-nots in this province are our children. While there are 1,000 children a day born in Canada, 100 of those children are born in the city of Toronto, which gives us a rather large window on the needs of children. To that end, for example, on Tuesday we invited down to council all the children who were born on January 1. There were about 100 of them and 36 of them actually came. What it did, more graphically than almost anything I can think of, was to show us what a significant shift in the population has taken place. There were children from every part of the world represented in the council chamber that day. It was quite lovely to see in the middle of a working day the number of parents who took time from work to come and bring along the grandparents and various other aunts, uncles and all the siblings. What it did was point out to council that in their decisions, they have an enormous impact on people who are much too young and much too

vulnerable to be able to state their own case and therefore it's our job to state it for them.

But we also know, from studies such as the ones in this book and the ones done by McCain and Mustard, that if we really pour on the horses from conception to school entry we will in fact have to spend a great deal less once they get to school. Therefore, it makes absolute common sense for us to be looking at all the children in this society, and however shiftless and useless and poisonous their parents must be, we cannot visit on the children the sins of their parents. It is essential that we make sure that there is as level a playing field for them as is possible so their potential can be exploited, not only for their own and their individual good, but also for the good of this society. Whether or not you like children, they are the ones who are going to be paying our pensions and looking after us in our old age. It seems to me very important to remember that while they may only be some 20% of the population, they are 100% of our future. It's absolutely critical that we keep that one in mind.

We have an enormous moral imperative to do this as well. Mr Phillips mentioned 35 years ago. I'm afraid I go back a lot longer than that. I do remember from Sunday school days the injunction in the New Testament that says, "Suffer the little children to come unto me and forbid them not." It seems to me that we're doing an awful lot of forbidding these days of the children of this society. Whether they're your children or your children or yours doesn't matter a fig. They are children and they need us and it is absolutely required that we make sure that they are all properly fed and housed and provided with whatever their basic necessities are.

1500

I represented for nine terms a ward in the city that probably had no business electing me. It was Rosedale and Forest Hill and Moore Park and various other very prosperous parts of the city. One of the election leaflets that I used, in two elections, in fact, was this one, because I like recycling. It says: "Let's get down to basics. Children first." It didn't matter where I went in the ward, I was able to make, and be agreed with on, the premise that we are all required to support our children. The most efficient, effective and fair way of doing it is through the taxation system. We can have all kinds of bun feeds and chocolate bar sales; they are never going to replace a decent tax system.

It seems to me that it is incumbent upon us all to do what Mr Justice Oliver Wendell Holmes said: "I don't mind paying taxes. They buy me a civilized society." Surely one of the biggest marks of a civilized society is one that looks after its weakest and most vulnerable members, and those are its children.

Whatever the statistics that back up the argument, whatever the economic arguments that back up the argument, surely the most significant one of all is that we do it because it's the right thing to do.

The Chair: On behalf of the committee, thank you very much for your presentation. It was very enlightening.

TORONTO COALITION FOR BETTER CHILD CARE

The Chair: The next presenter is a group called the Toronto Coalition for Better Child Care. Could you please come forward and state your name for the record.

Ms Jane Mercer: Good afternoon. I'm Jane Mercer, with the Toronto Coalition for Better Child Care.

The Chair: On behalf of the committee, welcome.

Ms Mercer: Thank you very much. I had hoped to be joined today better Theresa Radwanski, who is the supervisor of the Children's Circle's child care program, so if somebody slides in and sits beside me halfway through, then that's OK.

The Toronto Coalition for Better Child Care is a network with a membership of more than 250 programs across the amalgamated city of Toronto. Our members include non-profit child care programs as well as child welfare agencies, children's services organizations, social planning councils, family resource programs and licensed home child care providers. The Toronto Coalition for Better Child Care works towards a system of child care which is high-quality, regulated, accountable, affordable and accessible to parents.

On behalf of the Toronto Coalition for Better Child Care, I would like to thank you for this opportunity to speak today on the budget for 2000 for the province of Ontario.

Why do we need child care? Why must it be quality child care? Why does it have to cost so much? I know those are questions that you ask yourselves probably on a regular basis.

Why do we need child care? The reason we need child care now is the same reason we've always needed it: Parents need to work—the pressures on families and the absolute necessity for them to work, brought on by the financial pressures of the last few decades or the policies of this government over the past five years. The reality is that the vast majority of parents of our young children work, or they are in school, or they want to be. That includes, across Canada, 70% of the mothers of our young children, and in Toronto the number of mothers working must be much higher. Parents work. They want to work. You want them to work.

Child care has been around in Toronto for over a century. It has grown steadily since the end of the Second World War, when many mothers had to join the workforce. Over the last two decades, we have seen literally hundreds of programs spring up across this city and hundreds more across this province, not really because there has ever been any government plan to address this crucial need for families, but because communities have seen the need. It is communities that have worked incredibly hard, on their own, making the most of the resources available to them to put this system in place, persuading governments to support them along the way. It is testimony to the value that parents and communities place on child care that they would work so hard to build themselves a system.

If we need to have child care, why must it be quality child care? Because we all know now that the early years of a child's life are absolutely critical to their overall development. The results of extensive research, including that commissioned by yourselves, support the importance of quality early childhood development opportunities for young children, and with the vast majority of our parents in the workforce, this quality programming has to happen in child care.

Why does it have to cost so much? Child care is expensive. But surely you would expect that the dollars required to care for the different individuals in our society will relate to how vulnerable those individuals are. This should not surprise us. Of course, it will cost a lot to provide a quality child care system, just as it costs a lot to provide for the elderly, the sick and those with special needs in our society. But if we want to build a strong society, those of us who are able and strong must support all of those more vulnerable individuals. Every parent knows that young children take an awful lot of caring for. But we must care for them, and we must care for them well, or we will pay an enormous price in the future. The earlier speaker, Fiona Nelson, reminded you that although children may only be 20% of our population now, they are 100% of our future.

As we enter this new millennium, a turning point, surely, that we could harness here, some 13,000 children wait for a subsidized child care space in the city of Toronto, and thousands more wait for the privilege of paying the full fee for a child care space in this city. Since the introduction of this government's Ontario Works program some years back, another 21,000 children could require a child care space in the city of Toronto. We are looking at well over 34,000 children in Toronto in need of child care spaces now. By the way, 34,000 is the exact number of babies that are expected to be born in Toronto this year. We'll count them and we'll let you know how close we were. But this is clearly not a problem that's going to go away.

We know that over the past five years this government has had a very hard time coming to terms with the high cost of child care, especially in Toronto. That was undoubtedly one of the reasons that in the fall of 1998 the former Minister of Community and Social Services, Janet Ecker, ordered a review of the Ontario Works workfare program and the child care system of Toronto. We are not sure exactly what you were expecting to find when you commissioned this report, but at the end of what must have been a very expensive audit, this is what you were told: It is inconceivable that the Ontario Works program could succeed in the long term with inadequate access to child care.

We have a huge problem in Toronto. There have been massive cuts to our province's child care system over the last five years. An analysis of provincial allocations for regulated child care shows a difference of \$70 million between 1995 and 1998, and it is our underpaid child care workers across the province who have been carrying this system while this government balances its books, the

vast majority receiving no pay increase for over six years.

The systematic underfunding of this system for the past several years has led to a problem of catastrophic proportions. In Toronto, our child care system is facing a total of almost \$50 million in service and financial pressures brought about by both the cuts and the policy changes over the last few years at the provincial level.

The service and financial pressures currently facing child care in Toronto arise from the following main sources: failure to pay the operators their actual costs of providing subsidized child care; insufficient child care fee subsidies to meet the service need or demand, especially since the Ontario Works program came in; the impact of school closures on child care located in school facilities; the playground retrofit and replacement required by licensing; the health and safety expenditures required by licensing; the loss of user revenue for provincial policy changes; funding pressures associated with downloaded programs—wage subsidy, family resource programs, special-needs resourcing; pay equity. These are the financial services and pressures that our city is facing at the moment.

There is no way we can hold on to our child care system without this government's help. Everybody else is pitching in. The school boards are pitching in. City council is doing its best. The parents across this city are working as hard as they have ever done before.

1510

Over the last five years, parents and underpaid staff have had to work harder than ever before to defend the system they built. As you have seen, parents will work hard and they will fight for quality child care for their children. They will fight for it because they know the value of it. The vast majority of them have to pay the full cost of it. They will fight you for quality child care, but they are also very willing to work with you to preserve, build and expand this system. They will not let you put their children at risk while you get your books in order.

I have three very clear recommendations I'd like to make to this committee and then I would love to hear, as I know you would, from Theresa Radwanski, who has her hands right on the program.

Our recommendations would be: Restore the full level of funding to the licensed child care system in this budget in real dollars. That means those dollars have to be there, not just moved around.

Work with the municipalities to really examine the possibilities explored by the KPMG report. You paid for that report; now be prepared to fund appropriately so that we can see some of those recommendations they came up with. Listen to the municipalities and expand this system so that it can adequately meet the demand.

Finally, but certainly not least of all, please work with the parents of child care programs: not handpicked, but nominated by the community as ones who really know the programs. They are the users, the governors and the funders of this system. No one knows this system better

and no one is more motivated to make this system work well.

Thank you.

Ms Theresa Radwanski: Hi. I'm Theresa Radwanski. I have been a supervisor at Children's Circle daycare for the last 20 years. The daycare has an excellent record and reputation and is based in the Riverdale community of Toronto. I'm here today to urge you to put the necessary funds into the daycare community, and that when there is a budget or policy change, there are realistic time frames and consultation with the daycare community.

Let me first tell you about Children's Circle daycare. It is a private, non-profit charitable organization based in the heart of downtown Toronto. As supervisor, I juggle the needs of 107 children plus 200 parents, along with 26 staff. I work with a volunteer board and I oversee a budget of over \$1 million. We provide care for 10 children with special needs. This year, we averaged 25 children who are on subsidy.

Children's Circle is a special place. We have had an excellent safety record and have developed the reputation of a top-quality program with a caring, stable staff. On average, the children stay at least six years, and my staff an average of 10 years. The daycare is made up of an ethnically and economically diverse community of children and staff. Many children visit the daycare for years after they are enrolled. Parents often tell me that their children learn more at Children's Circle than they do at school. We offer a very creative program. Today—why I'm late—we were celebrating Chinese New Year and having a dragon dance. We're also going to celebrate Black History Month. We have a dance group coming in, a youth steel drum and an African storyteller.

Last year, Children's Circle had a really tough year. The children used to run, climb, play in tunnels, swing and play on the climber. Now they have a sandbox. On the old structure, the children learned new skills as they moved to more challenging equipment. Now the staff are challenged daily trying to provide adequate stimulation in an unstructured free play space. It is crucial that the children have this area to play in so that they get social and cognitive development.

This year at Children's Circle, everybody worked harder than ever before: the board, the staff and parents. As a group, we have fundraised and reviewed policies and staff salaries. Over the last few years we have struggled to have a break-even budget. Some 74% of our budget goes straight into staff salaries, and 10% goes into rent. That leaves 16% for food, insurance, trips and anything else we need. This year we have sold calendars of the children's artwork. We had a barbecue and a silent auction. All of this was very work-intensive for staff and families. We made \$6,500.

It is a difficult balancing act, setting fees high enough to adequately reward the staff and low enough to be affordable to our families. The board of Children's Circle has had to make some tough choices. The gap between full-fee-paying children and subsidized children is now \$1,500 per child per year. We have to have our costs met.

We have to have ongoing funding for pay equity. This year the board has decided to reduce the number of subsidized children because we cannot run the kind of deficit that we have been seeing.

Let me clarify the situation at Children's Circle. The ministry came out with a directive. There was no money. There was a collision course with the child care community and Children's Circle, and the children lost their playground. Parents, staff and board put in an amazing amount of time to try and solve the problem. The government looked really bad. Now our playground will be funded through health and safety money.

What should have happened is that the ministry prepares a directive, works with the child care community and the municipalities, works with the child care programs to see how the new funding can be matched, and come up with the funding needed to do that. The money flows, playgrounds get fixed, and both parties look good.

Let's learn from the fiasco at Children's Circle. The children have had no playground for over six months. The staff cannot provide a program that was needed outside. Our parents were outraged by the process and they rallied to help fight for a new playground. I, myself, put in 500 hours, which was taken away from my role of being a supervisor at the day care.

Let's work together in the future so there's a win-win solution and the children of Ontario get the best care they deserve.

The Chair: Thank you very much. I'll start with the official opposition. We have approximately three minutes per caucus.

Mrs Papatello: Thank you for your presentation today. I'm curious to know exactly the number of spaces, because I know your organization tracks them. This government, as my colleague mentioned to the group that presented earlier, is famous for saying they have spent more money on child care than ever before. That is always astounding to me because I've attended many of the meetings in the Toronto area as well, attended by hundreds of parents who are outraged by what is happening in the child care community. I can't find any of the new spaces. I'm interested to know where you think all of the new money is that the government has supposedly put into the system.

Ms Mercer: If we could find it, we'd get our hands on it so fast. There has not been more money put into this child care system. You can call a number of different things "child care." You can order your child to sit at the kitchen table all day and call that child care. We're talking about a regulated, accountable child care system. There has been no more money put into that child care system. In fact, we know that \$70 million has been taken out of that system.

The only money that I would guess Mr Eves is referring to each time he says, "We've put more money in than any government before us," etc—and I can tell you, parents will cringe all over the province if we hear that line again, because people know it's not happening. I can only assume that maybe that money is the 21% cut in

welfare spending. Maybe it's the \$70 million they took out of the regulated child care system. Maybe that's the money they are now handing out in the form of benefits or sort of allocations so that for the welfare mother who goes back to work, who does get to work, she then gets an allowance per day per child to purchase child care.

Mrs Papatello: You mentioned in your report, as did the group before you, in regard to workfare and what the requirement was going to be, assuming that this is what the government wants to happen, that they had done an extensive review of the Wisconsin model at the time and they failed to—or maybe they missed an entire chapter when they were reading the book on that model that talked about the huge investments which that state made in particular in child care. What they recognized at the end of it all was that it was a very expensive program to implement, because they deemed that their goal wasn't a cost-saving measure, it really was appropriate training, as they saw it, and they couldn't make it happen without the child care component. We've raised that in the House over the course of the last four years, that if that's the kind of program they need to implement, it's not going to happen. They will not be able to revisit, revise and improve a welfare system without a child care component that has been completely neglected by this government.

1520

Ms Mercer: That was the strongest message that came out of the KPMG report, the audit that the government requested and paid for to tell it, presumably, what's going wrong, how come municipalities can't put this Ontario Works program in place. The words were—and it was quoted by me and it was quoted by the previous speaker—"It is inconceivable that the Ontario Works program could succeed in the long term with inadequate access to child care." That seemed very clearly stated. You can't have 21,000 mothers go back to work if you don't provide child care for 21,000 children, and that's just in Toronto.

Ms Papatello: They managed to cherry-pick the parts that they wanted, that seemed convenient or was more in line with their message.

Ms Mercer: That might look good on paper but it can't work, because a mother, no matter how badly you have cut back her welfare and how badly she needs that money—and there are women in Toronto, and single parent fathers too, who are hurting so badly through these kinds of cuts. There is no way with all the goodwill in the world that they can go off to work if they can't find child care. They can't find child care within the regulated system.

Your government talks a lot about choice, but if there isn't the regulated system, then that's the bit of a choice that's missing in all of this. Certainly with 13,000 already on the waiting list in Toronto, that choice isn't there. I should have, but I don't even know the dollars that have been allocated for child care on a day-to-day basis for that parent to go back to work, but I can tell you that you can't get child care, even the neighbour in the apartment next door, for under \$25 or \$30 a day. That's what people

charge. I can't board my dog in Toronto for less than \$18 a day. It is so upsetting to hear that that kind of dollar allocation is less than I have to pay to put my dog in a kennel.

Ms Marilyn Churley (Broadview-Greenwood): Thank you very much and welcome. Theresa, I really want to take this opportunity to congratulate you and all the people who worked with you on your victory in the playground fight. As you will recall, I asked a question in the Legislature about that, and at the time, if I recall, the minister, as all the ministers do when they're asked questions about child care, we get the litany, "We put more money than your government and any other government before into daycare," instead of addressing the issue that's put before them, which was what was done in this case. But I was so happy to see through your very hard work—you have no idea how much work this woman put into that particular issue and succeeded. The message here is, you can fight these guys and you can win sometimes.

I raised that because, thank you for pointing out yet again that when the ministers and the Premier say you put more money into child care than ever before, it isn't so. Hopefully the committee members here are taking that to heart, which is why these committees are so important, and can go back to the finance minister and to the ministers and say: "We've heard it. We've got documented proof that in fact when you say you're putting more money in, you aren't. You're playing with the numbers here. We have a series of crises in the child care system that need to be addressed, and furthermore people don't even want to play the game of who put more money into the system, when and where. The issue now is, there's not enough money going into it and there's a crisis."

I got my start and partly what got me into politics was fighting for child care in Withrow school in my riding. By the time I got it—there were empty classrooms there—I didn't need it any more. But I'm happy to say it's still there in that school for other parents. I just find it extremely disheartening that we're going backwards now instead of forward, particularly with all the studies.

If I have time left, my question would be: Over the past few years, with so many reports, early childhood education is the issue here; it's not about babysitting. Could you expand on that a bit, why we need to expand not just child care but the licence in terms of giving the children that early education that's so important?

Ms Mercer: This is not new research. What is new about it is that there are now so many studies out there and so many reports and so much research that nobody can get through the room without tripping over it. I remember 25 years ago in teacher training college the line being, "You show me the five-year-old and I'll show you the man." That is so true. We have a window of opportunity in those first five years to work with kids. Also, as the saying goes, after that you're really just talking about a draft blowing through here, because whatever you do after the five years—not that it's not worth doing too, but

it just takes so much more to impact on the child's life. Those early years are so critical, and they're critical whether you're talking about parents in the home or the grandparents or the caregivers at the family resource program. All of these things are important. The research is overwhelming that we must work with children when they're young.

Look at the other piece that tells us that the majority of parents of young children are in the workforce, and if they're in the workforce—and 70% of the mothers of young children are in the workforce—then it stands to reason that we have to have that quality early childhood development piece happening in the child care environment. It's not just enough to do the library thing and the family resource program thing when 70% of your children are in some form of child care.

Mr Galt: Thank you very much. I appreciate your presentation and also Ms Churley's comments, entertaining as usual.

Ms Churley: And true as well, I may add.

Mr Galt: The problem I'm struggling with as I sit here—and I'm trying to be serious with this—is that we've ended up in an "I said, you said, we said, she said," type of thing. You're saying we have exaggerated the figures. I haven't heard many figures coming from you people as to how much, other than, "We need more." We had a lot of groups coming before us that need more money. That's kind of a standard—I'm not being nasty. It's a struggle as a government as to where the spending should be of your money. It's not our money, it's your money. Others come before us saying, "You've got to get that debt down." So society tries to balance that out.

Let me just mention a couple of figures. I heard you say you didn't want to hear them ever again, but let me share them with you, and then I need to hear back from you, in hard dollars, what are we talking about? Where is it at? For example, I'm being told—and I'm not a specialist; child care isn't my background. Mine is veterinary medicine. I love to hear this \$18 looking for a kennel. That sounds marvellous. Maybe I should be getting back into that business.

A 15.2% increase in child care spaces, for 19,000 spaces; for Ontario Works, some \$40.2 million is being spent; for the LEAP program—Learning, Earning and Parenting—\$25 million. We're up to \$738 million; a 30% increase, or \$173 million. These are the figures I'm given and then I come here and I hear you saying: "You've cut, you've slashed, you're not giving us anything. It's worse than it's ever been." I don't understand. How much has been cut? If so, how much are you saying needs to be replaced? What I'm seeing is a 30% increase. I don't understand. Sorry. I'm just a politician. Maybe you can explain.

Ms Mercer: Yes, and you're a politician in the government. This is really of concern to us because if none of us really knows what's going on here, then it sounds as though we should maybe be going through the freedom of information act to access those. I strongly urge the opposition to do exactly that, to get to the bottom of

this, to ask for these hardcore numbers to be out on a sheet of paper for us.

I haven't come prepared with your numbers to explain those. As to this \$70 million that has been taken out of the system that I referred to, I can tell you that that information comes from Child Care in Canada: Provinces and Territories (1995 & 1998). It has been put out by the Child Care Resource and Research Unit of the University of Toronto.

The LEAP program, the Ontario Works program, the way that those dollars are allocated is that you're requiring a woman who's had her welfare cut by 21% to go out to work. That's not going into the child care system; that's in your Ontario Works program. That I think is where the confusion is coming from. These are the dollars. I don't know enough about how the government is counting its dollars. I tune into the budget and will tune into the budget just like everybody else. I don't know how those dollars are being counted.

The Chair: With that, we've run out of time. On behalf of the committee, we thank you very much for your presentation this afternoon.

Mr Phillips: Mr Chairman, maybe we could ask the staff to request of the ministry an explanation—some of those figures that Mr Galt had might be of interest—of the numbers on the increase in spending and where it's gone and the spaces that have gone. That would clear up any confusion.

The Chair: I don't have any problem with that. We'll follow through on that. We're going to have to recess because the 3:30 presenter has cancelled. However, I would like to point out to all the committee members that we will be flying out from the ESSO Avitat—I don't think it's a terminal, it's probably a hangar—on Sunday night at 7 o'clock sharp. We'll recess until 4 o'clock.

Mr Arnott: Is the 4 o'clock presentation in the building? Do we know?

The Chair: I don't know. We tried to get the 5:30 moved up, however, there was nobody, so we'll recess until 4 o'clock.

The committee recessed from 1532 to 1601.

CANADIAN ASSOCIATION OF NOT-FOR-PROFIT RESP DEALERS

The Chair: The next presenter is a group from the Canadian Association of Not-for-Profit RESP Dealers. Gentlemen, could you please state your name for the record.

Mr Tom O'Shaughnessy: Mr Chair, my name is Tom O'Shaughnessy.

Mr Ken Goodwin: My name is Ken Goodwin.

The Chair: On behalf of the committee, welcome. You have 30 minutes for your presentation.

Mr O'Shaughnessy: Mr Chairman and members of the committee, it's a pleasure to join you today. My name is Tom O'Shaughnessy. I'm the executive vice-president of Canadian Scholarship Trust Foundation. I'm here with Ken Goodwin, who is the executive vice-president repre-

senting USC Education Savings Plans. We have provided for you a handout to leaf through as we go through our presentation to ease the process.

Mr Goodwin: If you go through this handout, beyond the basic introduction, the first slide I want to refer to is our goal. Our goal today is to demonstrate how the Ontario government can make post-secondary education more accessible and, at the same time, reduce student loan debt. That's what we'd like to show you today.

Mr O'Shaughnessy: Last November, we made a presentation to the federal finance committee recommending increased benefits to low- and moderate-income Canadians. At that time and with them, we also recommended that the various provinces should be engaged to participate in the Canada education savings grant program.

Mr Goodwin: The next slide: Last week, the federal government announced that they would forgive \$100 million to the banks who were not able to collect outstanding students loans. This is a clear indication, we believe, that the student loan burden is just too onerous for the graduating student. As a result, it is very costly for the Ontario government as well.

Mr O'Shaughnessy: If you turn to the next page, you see that the federal government has made changes to the Bankruptcy Act to potentially try and deal with the number of students who are declaring bankruptcy early after finishing their post-secondary education studies. The move to a 10-year hiatus on bankruptcy, in looking at the statistics, seems to be very successful, but in reality what is happening is that many of these students actually go to third parties, to organizations that do provide credit to them, pay off their student loans and then ultimately declare bankruptcy immediately. So the problem hasn't gone away; it's just been shifted from the public sector over to the private sector and ultimately will start shifting back on to the public sector once the private sector recognizes the impact of this.

Mr Goodwin: If you turn to the next page, you've seen in the paper, January 26, there was an article and an editorial in the Toronto Star which shows how the provincial government has received some negative reaction to the use of the Canadian Millennium Scholarship funds. This again is just another counterproductive process that's going on. In the presentation, we also have a copy of the particular editorial that we were speaking to.

Mr O'Shaughnessy: One of the things we, as organizations, have been doing is trying to find ways that we can encourage low- and moderate-income families to participate in the program. We have been having discussions on the financial level but also on the social level with individuals who are really interested in the development of children to, ultimately, post-secondary education.

We've had discussions with Dr Fraser Mustard. I'm sure many of you are aware of the report that he issued for the Ontario government on the early years of development of the child. We think that there are some opportunities to be able to somehow blend this social

process of trying to get the young kids developed appropriately with the financial process of having parents set aside money for their post-secondary education.

Mr Goodwin: The next slide: The Ontario government has many programs that do help parents concerned with post-secondary education. We can see that coming forth with things like the early years study. But if you go on to the next slide, there still continue to be obstacles for the students. The graph on that slide, which talks about the cost of tuition, clearly shows that tuitions have grown at five times the rate of the consumer price index over the time period of five years. In fact, for Ontario, our studies show that the average tuition has risen from \$1,653 in 1990-91 to close to \$4,000 this year, which is clearly an increasing burden for the students.

Mr O'Shaughnessy: If you look at the next page—not something new to you today; I'm sure the Canadian Federation of Students has gone through the growing student debt problem and the defaults that are being generated out of it. Student loan defaults, according to Statistics Canada, have grown over 20% between 1997 and 1998. These defaults are costing all governments a significant amount, with no end in sight. We've looked at the Canadian Federation of Students' proposal, which is more short-term funding to deal with the issue. What we're talking about is more of a long-term plan to move away from an immediate funding process to a longer-term funding process that will reduce the requirements for student debts in the long term.

Mr Goodwin: In the next slide—I guess we talked a little bit about the fact that the Canadian education savings grant was introduced in February 1998 by the federal government. The purpose of that grant was to encourage people to save their own money for post-secondary education, with participation on the side of the federal government. We have found through studies that, while this has been a very successful program, still only about 13% of eligible parents have opened an RESP as of 1999. There are therefore still a limited number of people who are actually taking advantage of the Canada education savings grant. In fact, as we're a not-for-profit organization and we do focus mostly on the lower-to-moderate-income families, the feedback we're receiving across Canada is that the lower-to-moderate-income families are less aware and have less understanding of this program and are therefore less motivated towards it. That's an issue that we're concerned about.

Mr O'Shaughnessy: On the next page you'll see that our objectives today are to increase the amount of savings across the province for Ontario residents for post-secondary education; in the long term to lower student loan costs and debt and the write-offs related to those student loans and debt; to lower the number of students who are dropping out of post-secondary institutions—I think our studies indicate that the majority of dropouts are related to financial difficulties. The programs that we are in show that a significant number of the children who have an RESP set up will actually go through and complete their education—a much greater participation rate

than you would have in the general public. And, as well, to increase the affordability of post-secondary education, especially for moderate- and low-income families in Ontario.

Mr Goodwin: If you turn the page, what we would like to consider is that we need to target the low-to-moderate-income families. They're the people who need most to save for education. We would like to increase the number of families taking advantage of the Canada education savings grant, which would in turn motivate more parents to save earlier. That's our strategy and our motivation.

Mr O'Shaughnessy: The general recommendation that we'd like to provide is that we encourage the Ontario government to become involved in the RESP regime, to look at the RESP very much like the RRSP, where it's in effect a jointly supported program of tax incentives for parents and individuals in the province to carry out an appropriate process of savings.

Mr Goodwin: If you turn the page again, the specific recommendation is for financial incentive. We would like to recommend that the province provide a financial incentive of a 10% top-up towards education savings, similar to the grant from the government of Canada. This would encourage more Ontario parents to save for education. It would also encourage more educated workers to stay within Ontario to take advantage of this regime and fight possible shortages of skilled labour and that sort of thing.

1610

We believe that the grant regime, if it's large enough, will incent the lower- to moderate-income people because it will motivate them to put some of their money away to participate. This is a long-term solution to a long-term problem. We won't see any reduction in student loans in the next year or two as a result of it, but they'll have more ability to go to post-secondary education if they start putting away some money now for the future.

Mr O'Shaughnessy: The next page is some other, secondary recommendations. There are many programs that the Ontario government provides in terms of communication and funding to Ontario residents, and we'd like to pursue an opportunity to educate especially the lower- and moderate-income families more about the benefits of this program, and the benefits for their children, of setting aside small amounts at a very young age for their children's post-secondary education.

One of the problems we're identifying right now in the various communities is that social service agencies do not allow individuals who are relying upon social assistance to accumulate any amounts of savings for any purpose. There is a small, diminutive amount of savings, but not a significant amount. So we have many families who are in a situation where they've saved for five or 10 years for their child's education who, as a result of family circumstances, ultimately have to apply for welfare. Because these education plans have amounts over the diminutive, they are being instructed to actually collapse

them to be eligible for welfare benefits. What we'd like to see is some kind of a process that would allow them to maintain at least a basic amount of savings in this tax-sheltered vehicle for their children's education, with some kind of reporting process to the government if the plans were collapsed by the individual at some point in time. That's an example of how we could use the cross-promotion.

Mr Goodwin: The last two slides in the presentation simply provide some more information about the Canadian Association of Not-for-Profit RESP Dealers and information about how to contact us. We have over 600,000 RESP accounts today and we service about 300,000 children's education savings through our various companies, in about \$2.5 billion in assets. As an example, we've paid out over \$200 million into the education system since 1998 just from our companies alone. That money is helping to support students in their ability to pay for their tuition and housing costs and that kind of thing.

It's been a pleasure for us to make this presentation to you today. We look forward to any comments, or if you wanted to have any questions. Hopefully we can work towards some solutions.

The Chair: We have approximately five minutes per caucus. Mr Christopherson.

Mr Christopherson: Thank you for the presentation. Could you just expand a little bit further on the collapsing of the fund in the case of social assistance. I don't profess to be an expert on the rules of RESPs, but I thought that once it was committed, you couldn't touch it, that it was dedicated to your child's education and you could only touch it if they chose not to go on to education. I didn't realize you could collapse it any time at will.

Mr O'Shaughnessy: You can collapse it with significant penalties. Obviously, the income that has accumulated in the plan would then either revert to other individuals or to an educational institution, and the person would be able to withdraw their savings, but that would be it. So it's a significant penalty to actually withdraw at that time and then potentially try to start up at a later time.

Mr Christopherson: Have you made this proposal to the government directly?

Mr O'Shaughnessy: No, we have not.

Mr Christopherson: So this is the first go around?

Mr O'Shaughnessy: This is the first.

Mr Christopherson: I hope they would be open to that, because there's no real cost; at least the cost is negligible and, given the fact that the cost of education is going up, it's one way the government can do something without spending a lot of money.

Mr O'Shaughnessy: The concern obviously is an individual building a significant savings account in one place while collecting benefits from the province in another place. But because, as you say, these are restricted amounts, potentially, if there is a capability for us to report a collapse by the individual, the individual can

collapse it on their own at any time with those significant penalties. It then would create a check-and-balance process so there isn't any abuse of the program.

Mr Christopherson: Do some of the penalties include a return of the money the federal government has given, or do you keep that and you just have to pay an increased tax penalty? How does that work?

Mr O'Shaughnessy: The federal government grant that would have been received on the program would be repaid to the government. The individual would lose the benefit, the 20% that was accumulated.

Mr Christopherson: Do they have to pay tax on that money?

Mr O'Shaughnessy: No. The contributions come in on an after-tax basis, so when they get their contributions back, it would be on an after-tax basis.

Mr Christopherson: So it's the money off the total capital that they would lose.

Mr O'Shaughnessy: That's correct. The income on the grant would be lost.

Mr Christopherson: Do you have any figures in terms of projections of where you see the cost of post-secondary education going if we continue down the road that Harris is taking us?

Mr O'Shaughnessy: Do you want to comment on that one, Ken?

Mr Goodwin: Obviously, we have our statistics of the historical development. Based upon what we have seen so far, it looks like the rise is going to be at least another 10% or 15% per year for the next couple of years until things settle down. The question becomes what level of funding the government is providing, and we don't have any insight into that.

Mr Christopherson: Has the federal government given any indication that they are going to do anything else with this? You talk about treating it from a tax point of view, the same as RRSPs. Is there any indication that they are looking at that?

Mr O'Shaughnessy: We have had some discussions, but I don't think anything really serious at this time.

Mr Christopherson: You said one of the goals of your organization is to apprise people of this opportunity, particularly moderate-income families. Can you expand for me on what sorts of things you are doing? Where do you make presentations? Where are you trying to penetrate the public psyche?

Mr O'Shaughnessy: We go into the community, anywhere you find people with young kids: malls, country fairs, that kind of stuff. We tend to do most of our promotion and advertising at that level. Most of the larger banks and financial institutions—mutual fund companies—advertise on television and in the newspapers, generally targeting higher-income individuals.

Mr Christopherson: I worry that young people are going to grow up thinking all this stuff is the way it has to be. It has only been in the last few years that there has been an acceptance by parents. If we keep going down the road we are, we'll be into the American situation.

There are so many American families where the only way they are going to get an education for their kids after high school is that they would have salted money away, they have to borrow money or they have to be wealthy to start with. It has always been a huge thing for Americans. If you watch old American movies, even decades ago they talked about having to set aside money for their kids' education.

We have never had that. This is something new. In the years when I was growing up, as long as you had the ability, then you were going to go to college or university, period. Full stop. Now we are into this world where you have to start planning 10 or 20 years ahead to make sure your kid can go to university, at a time, and I keep hearkening back to this, when the economy is booming like it never has boomed before. In many ways, the world in Mike Harris's Ontario is upside down. It's nuts.

The Chair: For the government side, Mr Arnott.

Mr Arnott: I'm not sure I see anything wrong with encouraging parents to set aside some money, if they have extra money, for their children's education, and encouraging it at an early age. I think this program that the federal government has initiated is good and will benefit a lot of families over the next number of years.

I want to ask you a question about your first recommendation. I want to make sure I understand the distinction between the tax treatment today of an RESP and an RRSP. You are suggesting that the tax treatment should be the same. Can you tell me the difference?

Mr Goodwin: I'll answer that. As an example, with an RRSP you get a federal tax deduction and a provincial tax deduction. Say you're at a 25% tax rate federally and whatever Ontario tax rate, so you get a two-pronged tax deduction. On this program—and we agree with it—instead of giving a tax deduction, the federal government is putting away a grant. The effect to the taxpayer is essentially the same: They get a 20% credit. But there is no provincial participation in that. We are suggesting that the provinces get on the regime as well and put in their side of it.

Mr Arnott: Do you have any idea what that would cost the treasury of Ontario? Do you know what the federal government is spending on it?

Mr O'Shaughnessy: Obviously that would depend on the parameters that would be established. But our preliminary estimates on the top end are somewhere in the \$50-million to \$75-million range per year. Again, if the program is extremely successful—as we've seen, the federal government has reaped some significant rewards; it's been an extremely successful program for a certain group of the population—we anticipate that it might be something higher than that.

1620

We recognize that the program actually has penetrated the higher end quite nicely. It's really what I would call lower- and middle-income individuals, who potentially would put away \$20 to \$30 a month, who are the ones who would actually get excited about it and potentially participate. So in terms of the number of people partici-

pating, I think it would be quite significant. The dollars per individual would be relatively small.

Mr Arnott: I agree. I think the mutual fund companies are increasingly trying to promote this as one of their important product lines, not quite as aggressively as we're seeing with RRSPs at this time of year.

Mr Goodwin: I'd like to comment on something that was said over here as well. Years and years ago education was taken care of by the social structure. Our company's been around for 30 or 35 years, and we see lower-to middle-income people, largely, and they're saving small amounts of money, but we also see the track record, that those students do go on to post-secondary education. There is a lot higher participation in post-secondary education than the general averages: 85% of the people who actually save the \$50 a month for 18 years. It doesn't pay for their education but there is this motivation in the family because they are putting some of their own money away. It really does help to encourage people to go on to post-secondary education.

Mr Arnott: Because I'm sure as they're saving the money they're talking to their kids about the fact that they're saving this money with the objective of sending them to university at some point and all of that.

Mr O'Shaughnessy: Absolutely. It's the process of accepting the responsibility for sending their kids on, and the children then accept the responsibility to ensure that they go through and complete the education. It's a proven fact.

Mr Arnott: Thank you very much for your recommendations.

The Chair: Are there any other comments from the government side? If not, I'll go to the official opposition.

Mr Kwinter: I have two questions. The first one: I'd like an explanation on one of your first slides where you say, "To bypass this rule," of not being able to go bankrupt, "students have been taking out lines of credit, paying their student loans, and then declaring bankruptcy." I don't understand how that works. Do they go into the bank and say, "Look, I have an \$8,000 loan; I want you to lend me \$8,000 so I can go bankrupt"?

Mr O'Shaughnessy: They're not going into the banks, actually. If you have seen what's going on in the credit markets these days, there are some large organizations that have come into the Canadian marketplace recently that are offering unsolicited lines of credit for individuals who meet certain qualifications. They don't go through a pre-qualification screen. So what has been happening is that in those situations the individuals have been taking advantage of that credit and then turning around and going bankrupt.

I can tell you personally my experience. I sit on the board of the Credit Counselling Service of Toronto. We've dealt with a number of situations where individuals have come in for advice from us and have gone away and said, "I think I'm going to do something different," and have advised us that they've gone through this process. It is happening in Ontario and across the country. Very soon what's going to happen is that these organiza-

tions that have been offering this free credit are ultimately going to go through a pre-qualification process and the problem is going to re-arise.

Mr Kwinter: You said that you have no trouble penetrating the high end. It would seem to me, when we have citizens in Canada with the highest debt ratio ever, that this would only be attractive to people who have disposable income. To borrow to do this is counterproductive because they don't have any real benefit other than if they get the same tax treatment as an RRSP and if there is some grant money in there that makes it attractive for them to do it. But it would seem to me—and I'd like to get your comments—that to get to the economically lower- and middle-income people who are finding it very difficult just to stay ahead of the game because of what's going on is going to be very difficult.

Mr O'Shaughnessy: It is difficult and that's why we're here, obviously, to say there has to be a joint responsibility to try to ensure that they do the right things. Oftentimes we say that the role of government is to do the right things for the people. Sometimes we have to show the people and encourage them to do the right things for themselves. The process of moving away from a debt society back into a saving society, which we had maybe 25 or 30 years ago, I think is a good initiative. The more that it can be jointly handled and the more of an incentive there is for the parent to be able to put aside even only \$20 or \$30 a month, it means that it breaks that cycle of debt, where the child has the capability to be able to go on, gain some skill sets and potentially without debt be able to be a contributing partner to society.

Mr Phillips: Thanks for the presentation. Just a request: You mentioned earlier that based on some analysis you did, of the people who appear to be dropping out of school, many or most are doing it for financial reasons. It would be helpful, if you've got any information on that, to send it to the committee.

Mr O'Shaughnessy: Absolutely.

Mr Phillips: Just so I understand the proposal, you're suggesting—the way it currently works is, people can put up to \$1,000 a year into this?

Mr Goodwin: Up to \$4,000 a year, but they get a 20% grant from the federal government on the first \$2,000 they put in per year per child.

Mr Phillips: You could put \$2,000 in and get a \$400 grant from the government?

Mr Goodwin: That's right.

Mr Phillips: The federal government?

Mr Goodwin: The federal government.

Mr Phillips: Does it then accumulate tax-free?

Mr Goodwin: Yes, it does. It is given to the trustee who then invests it. It accumulates tax-free on behalf of the students or the subscribers, as they call them, and it's allowed to be used for education purposes only.

Mr Phillips: Right, and it has to be with an organization such as yours that is licensed or registered to administer this?

Mr O'Shaughnessy: That's right. The federal government has set up a whole process of monitoring. So the infrastructure is there already to handle the process.

Mr Phillips: And your judgment is that the cost for the province to essentially provide half of what the federal government's doing in the way of annual grants would be \$50 million to \$70 million in Ontario?

Mr O'Shaughnessy: That's correct, \$50 million to \$75 million in Ontario.

Mr Phillips: The challenge, I'm sure, for all of us is how many more people would invest in this as a result of that, because presumably all those who were going to invest anyway under the old one would continue to, and this is, dare I say, like a bonus for them, although it helps a lot. Have you any indication or any estimates for us of how many incremental people might do it?

The students I worry most about in the future are those who come from families of very modest means where the family early on is saying, "I just don't know how we're going to do this," and the student fairly early on starts to do that. This particular program you're suggesting isn't targeted specifically at them. I don't know whether you've thought of any other things we could do along these lines that might be even more targeted at families of more modest means.

Mr O'Shaughnessy: Obviously we've had some discussions about how we structure the program to make sure that those with modest means would take more advantage of it. Potentially, one of the ways would be that the Ontario government money could only be used for institutions in the province. That way, the cost of the program might be somewhat less and could be a higher amount that's allocated to those people who stay within the province. Generally speaking, our experience has been that the lower- and moderate-income people stay very close to home when they do pursue post-secondary education. That's one possibility.

We have talked to the federal government about certain things related to the child tax benefit as well and whether or not we could get some process to get some—not kickback but a rebate if individuals participated at the lower level. We're looking at many ways from that standpoint, but I think the concept is, and what we've seen is, that if the carrot is big enough, then individuals in the lower and moderate income levels will say, "I think we do want to participate."

The Chair: On behalf of the committee, gentlemen, thank you very much for your presentation this afternoon.

ONTARIO TRUCKING ASSOCIATION

The Chair: The next group this afternoon is the representative from the Ontario Trucking Association. Could you please forward and state your name for the record.

Mr David Bradley: I'm David Bradley, president of the Ontario Trucking Association.

The Chair: On behalf of the committee, welcome and you have 30 minutes for your presentation.

Mr Bradley: It's a pleasure to be here. I appreciate the opportunity to talk to you. Of course we could talk about all kinds of things, but I'm going to try to focus on one issue. But before I do that, why I think it's important for the trucking industry to be here—and I'm always somewhat mystified that some of these numbers get lost in the mist. But at least 40% of Ontario's GDP is dependent upon trade; 90% of that is with the United States and 65%, overall, is with four or five of the contiguous northeastern states. Trucks haul 80% of Ontario's trade with the United States. About 30% of the province's GDP moves by truck. We've seen a doubling of that trade over the last five years. We'll see another doubling in the next three to five years, to the point where now we have a truck crossing the Ontario-US border once every three seconds. You could say that Ontario moves by truck and therefore distortions in our marketplace are not only going to impact directly on our industry, obviously, but on the economy overall.

1630

In terms of our own situation, trucking is a low-margin, highly competitive business. There are tens of thousands of trucking companies licensed in the province of Ontario alone. We compete on pennies. We have been in a free trade marketplace for 12 years, so we compete with carriers from outside the province, whether they be from the United States or from Michigan, so anything that tips the balance from a competitiveness point of view impacts upon our industry.

Trucking is one of the major employers in the province. On a national basis, the 1996 census of Canada, which is the most recent, found, and I think this surprised a lot of people, that truck driver was the major occupation for males in Canada. In fact, over 220,000 Canadian males said their primary occupation was that of a truck driver. We indeed have a qualified shortage today. We could employ more people if we could find them.

In Canada, in Ontario, transportation costs are a significant component of the final cost of goods sold. Because we have to export our goods over longer distances into the United States, the transportation costs of our products can run anywhere from probably 3% to 12% or 13%, depending on the type of commodity. Again, anything that would add to the costs of the freight transportation or to trucking would inevitably find its way through the marketplace in terms of higher costs of goods sold.

We're also great believers in things like tax equity and fairness, ability to pay and all those kinds of things. We've listened to successive governments talk about those kinds of things, yet at the end of the day we still see a tax system—a retail sales tax system, at least—that discriminates against service sectors like trucking and has some anomalies in terms of taxing of some services that impact upon our sector more than others.

I have with me a large document that was recently produced by the chartered accountants at Deloitte and Touche, where they conducted a study for us, looking at how Ontario applies sales tax on the major business

inputs in the trucking sector in Ontario versus our competing jurisdictions. We looked at Quebec; we looked at Manitoba, not so much as a competitor jurisdiction but it's one of the few jurisdictions in Canada that has a sales tax system that's still similar to Ontario's. Ontario, quite frankly, is rapidly becoming antiquated in terms of the way it deals with sales tax, compared to other jurisdictions. Then we looked at the major competitor states of Michigan, New York, Pennsylvania and Ohio.

A picture is worth a thousand words, because you don't want to, at this late stage of the day, start reading the Deloitte report. You can do that when you need to sleep tomorrow evening, perhaps. When you look at the picture there, I think it's pretty descriptive in terms of the sales tax burden that's placed upon the domestic trucking sector versus other jurisdictions. Ontario is one of the few jurisdictions in North America that applies retail sales tax on the acquisition of new trucks and trailers. It's one of the few jurisdictions in North America that applies sales tax on maintenance and repair labour, whether that is on a warranty repair or not. It's interesting that successive governments in Ontario have been opposed to the concept of the goods and services tax, the federal VAT tax, and part of the justification is that the government doesn't want to move into taxing services. Yet it's quite odd to me that in this one particular area—maintenance, repair and labour—we do indeed pay sales tax every time we take our truck to get fixed or maintained, not only on the parts but on the labour as well; not only if it's on warranty, where it's already been factored into the price of the warranty in the first place so that it's double taxation, but on non-warranty repairs.

In addition, Ontario and Quebec stand out like a sore thumb across North America in terms of imposing retail sales taxation on automobile insurance premiums. The sales tax on warranty repairs and auto insurance premiums was introduced in the 1993 budget. The government of the day was quite open as to why they did this. We were in a deep recession, we were in a fiscal deficit, and the government of the day chose to raise taxes to finance some of their expenditure programs. So it was, pure and simple, a revenue grab.

I can recall that the current governing party, while in opposition at the time, sitting around this very table, was quite agitated by this and felt that definitely there needed to be a reversal in those two particular taxes. They were seen as regressive and unfair at the time. We're saying that times are pretty darn good now and if there's any way we can address these issues now, it would be the time.

New York, Pennsylvania and Ohio don't impose any of these taxes on their domestic trucking industries whatsoever. While Ontario, if you look back over the course of the last 10 years, has only added to the tax burden on our sector in this regard, other jurisdictions have been moving in the opposite direction. Every province east of Ontario has moved to a harmonized goods and services tax, harmonized with the federal goods and services tax. Consequently, trucking companies in Quebec and Atlan-

tic Canada do not pay sales tax on the purchase of equipment or on maintenance and repair labour. They get a tax credit, so they pay and get the credit back. They have a competitive advantage there. In the west, they also are moving in a slightly different direction, looking at annual sales taxes and the like.

More importantly, as for our neighbours to the south, last May Michigan extended a sales tax exemption that carriers that crossed borders in Michigan were exempt from sales tax. They have now included the domestic industry there as well. Ohio, back in 1993 or 1994, also moved in that direction. I think most tax policy analysts would agree that taxing business inputs is a drag on employment and competitiveness, and they are moving in the opposite direction.

Some of these taxes are borne not only by the trucking industry but all motorists. Earlier this week we joined forces with the Canadian Automobile Association and the Ontario Motor Coach Association in attempting to bring to the attention of the government the fact that under the new Drive Clean emissions testing program the government had committed to the public that that would not be a tax grab and there would not be a net cost to the taxpayer so they didn't tax the \$30 market price emissions test. However, every time you have a compulsory, mandatory repair that you have to undergo as a result of Drive Clean, you are having to pay tax on that. Our three associations have estimated that the windfall to the government of Ontario from that mandatory repair bill comes to a total of anywhere from \$50 million to \$70 million a year. We don't think that's right. We think that runs against the stated policy, which was to try to encourage people to conduct preventive maintenance, to maintain their vehicles, and not force them to do something and then have a tax on top of that. So we're calling for some restitution there.

1640

Similarly, with the sales tax on automobile insurance premiums—I guess the last election was the only one I can remember where auto insurance wasn't necessarily an issue. But it certainly is an issue for the road user. I would go so far as to say it is yet another tax on safety and on public protection. Indeed, I would argue that the sales tax system in Ontario today, as it relates to trucking, is a tax on safety. Every time one of my members invests in new equipment, every time one of my members sends his vehicle through a maintenance check and introduces new parts or whatever, he pays sales tax on that. I don't think that's consistent with the policy of trying to get people to maintain their vehicles and be safer.

What do we do about these things? A number of approaches could be taken. One that doesn't appear to be particularly popular at this time would be for Ontario to get with most of the rest of the world and begin to move toward a true value-added sales tax. Barring that, I think we are into looking at wind-downs or exemptions from some of these taxes. We estimate that the combined impact of these taxes on the trucking industry comes to \$200 million. We are also realists and don't anticipate

that anybody is going to sign a cheque to us for \$200 million right away. However, there are precedents for these kinds of things.

In the past, in the early 1980s, the Progressive Conservative government introduced an exemption on the acquisition of new tractors and trailers—new trucking equipment—and we would certainly love to see an exemption. But I think if people buy into that philosophy, we could begin to phase out those kinds of taxes over a period of time, and not have a negative impact on the treasury but at the same time begin to provide our industry with some relief. I think that things like automobile insurance and the tax on warranty repairs are so repugnant to most people—the dollar value to the government is not great in the scheme of things, and we would like to see more immediate relief there. Similarly, we would like to see that the sales tax burden doesn't become greater by continuing to impose the tax on Drive Clean mandatory repairs. That number will only get bigger as other communities or other regions of the province come on board with that program.

A lot of freight is being generated in the economy right now. Obviously the economy is strong, and truckers have been beneficiaries of that. There is no doubt about that, and I am not here to cry poor. Notwithstanding that, I don't think we can use that as an argument for not doing things that make sense from a tax policy perspective. Moreover, if you look at the events of the last few months, in our industry, for example, we've seen the price of diesel fuel go up 176% in Ontario since this time last year. That is having a significant impact on our margins. Our industry, because of its size, is not a big player in the equity market. We are the smallest of small-cap that you can find. As a result, we are an industry that has to rely on debt to a great extent, and we are starting to see a creep-up in interest rates. I think there is, particularly on the transportation side, some cost-push inflation effect that will begin to play itself out through the economy.

So I don't think we should take for granted the growth we have had over the last few years. Trucking is a good leading indicator of economic activity. When economic conditions change, we'll know it six months before the banks do. Right now I think there is some jitteriness in the marketplace that wasn't evident even a few months ago.

I thank you for your time. I hope you take a look at the study, and that you make mention of this in your report to the treasurer and to the people.

The Chair: Thank you very much. We have approximately five minutes per caucus, and I'll start with the government side. Mr Galt.

Mr Galt: Thank you very much for the presentation and for this fancy document. It's quite thick.

Mr Bradley: We set certain criteria and thickness is one of them, so there must be something useful in it.

Mr Galt: I'm interested in your comments about the tax, particularly as it would relate to jobs. Some of these taxes, as you remove them, create jobs. As announced today, there are another 21,300 net new jobs in Ontario,

bringing us up to a total of 664,000 net new jobs since we took office.

As I look at this—and you mention \$200 million, you've worked that out, would be the cost—there are these six weights that are sitting on this little truck here. Visually, it's really neat the way you're laying it out. If that tax was all we moved, how many jobs would be created in the province as a result of that?

Mr Bradley: We have a shortage right now, notwithstanding the tax situation, of 50,000 qualified drivers over the next 10 years in the province of Ontario. We can employ people today. The situation here is that the freight will move one way or another. It's whether you want it moving on trucks from New York, Pennsylvania, Ohio or Michigan, or do you want it moving on Ontario trucks, employing Ontario drivers? That's really the issue.

Mr Galt: I see that \$200 million sooner or later gets applied to the commodity. It makes our own truckers less competitive and it's more than just truck drivers where the jobs are being created. I know it's a tough one.

Mr Bradley: Exactly. It is tough.

Mr Galt: Is it the kind of thing that sells to the minister, to this government?

Mr Bradley: I would think, given the finance minister's background in our industry, he might understand these concepts. Clearly, trucking is a derived-demand industry. We exist to serve Ontario's industrial sectors. We have, as a result, a very large GD multiplier in our industry, and what happens in trucking is a reflection of what happens in the rest of the economy. But also, you're absolutely right. Again, the costs of transportation represent anywhere from 4% to 13% of the final cost of goods sold for Ontario manufacturers and shippers. We serve every industry in the province. We serve the high-value-added manufacturing sector particularly because we're able to provide the just-in-time service. Anything that increases their costs eventually—and sometimes it takes longer for the market to adjust—does show up in higher export prices from Ontario. What that means specifically is difficult to say.

Mr Galt: It would be fun to see an economist come through with some figures on that.

Mr Arnott: Thank you, Mr Bradley, for your presentation. I represent a considerable number of your members in my new riding of Waterloo-Wellington so I continue to be very interested in your industry. You mentioned the significant increase in the price of diesel fuel in the last year. You said it was a 176% increase. What's the outlook in the year ahead? Will it stabilize? Are you expecting it to come down?

Mr Bradley: Everybody's got their crystal ball on that, I suppose. In the last few days I've heard everything from stabilizing near current levels to doubling again over the course of the next year. We would prefer, at the present time, to try to deal with that through the marketplace. That's a very definable shock that most people can understand so we're trying to collect that from our customers right now with, if you've read the papers this

week, some mixed success. There are independent operators in the province today who are parking their vehicles because they can't make ends meet. That could create some havoc in terms of getting goods to market.

Seeing as we're here before the standing committee on finance and economic affairs, we're not asking for government to move in and regulate diesel prices or regulate truck rates or anything like that. That's a throwback to the days of the past. It never worked then and it won't work now. However, if the provincial government were serious about wanting to provide some relief, in the appendices to this report, it wasn't part of the key feature, we do provide some information with respect to the tax on diesel fuel in Ontario compared to the competitive jurisdictions.

Quebec is a little higher, but remember, they do have a GST-type sales tax credit system. On average, Ontario's provincial tax on diesel fuel is two to three times higher than what it would be in Michigan, New York or Pennsylvania. So if you wanted to provide some temporary relief—I know you're not saying you necessarily do, but if the government did—that would be the first area quite clearly under provincial jurisdiction where they could. We'll be meeting with Mr O'Toole's committee and I'm sure we'll be talking about that.

1650

Mr Phillips: I appreciate your presentation. I happen to think you've got your finger on one of the huge issues for us over the next five years. I'm with you. You call exports the engine driving the Ontario economy. I believe that. The government's document says that there's no jurisdiction in the world that relies as much on exports as Ontario does now: 90% to the US.

I was a little bit surprised that the minister, when he came in here on Tuesday, kind of downplayed exports, that when you net exports and subtract imports, it's not that big a deal. But I think this is going to be a huge issue. This little table shows the issue. I think that now that so much of our economy is exports, we are going to see industry after industry come in with the same chart. I noticed that four of the six jurisdictions here are in the US and that will show—

Mr Bradley: That's where the trade is going.

Mr Phillips: Exactly. The pressure is going to be on us to obviously continue to grow exports. But people like yourself, as you've done, will say, "Our taxes in this area, this area and this area are higher than they are in the neighbouring jurisdiction." In fact, we heard from others on the income tax issue, on the corporate tax issue, on property tax issues. So the inevitable push will be to try and find a way to get levels the same as the US.

At the same time, we have a different system in Canada. We fund health care to a dramatically larger extent. We've decided that we will insure ourselves. The biggest insurance company in Ontario, that funds 60% to 65% of health care, is the Ontario government. The premiums are income tax, or whatever we want to say.

If we harmonize taxes with the US and everything, are we able to maintain that unique health care system? In

my mind, it's difficult. I guess what I'm saying is that I'm strongly of the view that we can't deal with this on a piecemeal basis. Over the next two years, we are going to have to look at this in its totality: How do we continue to help develop our export business? Because on the tax front, frankly, you're a little bit late. Harris has already announced his big tax cut, which is the \$4 billion on income tax and the \$1 billion on property tax.

My own personal view, and I don't know how you feel about it, is we're going to have to as a province look at this in its totality, and not piece by piece by piece.

Mr Bradley: In a perfect world, I would agree. I would also agree that corporate income taxes and those kinds of things need to be adjusted. I would also say, and this might surprise you, that if you look at all taxes in Ontario versus the United States, this is the side of the border to be located on, specifically because of US health care and social security costs, which are paid by employers, versus the situation here. However, at the same time, I would argue that because of the nature and the structure of our economy, the taxes, notwithstanding that the folks over at the Frost building may say they are in parity, are still too high. We do not have the economies of scale to generate the wealth internally here and it's from taxing wealth that you get your key revenues to pay for education and health care.

I don't want to make these trucks and roads versus health care. A strong and vibrant economy has to have all of that infrastructure in place. But the reality of it is that we need to generate our wealth externally, which means we have to export. High imports are only an indication of a strong economy and people not being able to satiate their consumer demand domestically; they want to buy radios from Japan and that kind of thing. It has to start first, though, with strong exports.

Mr Phillips: I agree.

Mr Bradley: We didn't have strong imports in Ontario until we got the export trade going. To the extent that our industry, which is so integrated into the mid-continent manufacturing process—and when you look at the fact that business inputs in manufacturing are not taxable, specifically the policy perspective being that we have to keep our exports competitive, it make no sense that we would then tax the trucking element as well.

I don't know if we're too late because we come here every year and say this kind of thing. Maybe we just haven't been heard yet.

Mr Phillips: I wouldn't say too late.

Mr Christopherson: Thank you for your presentation; nice to see you again. You can appreciate we've heard from a number of umbrella associations in the business community that make exactly the same argument. Just jotting down a couple of thoughts, the Ontario Federation of Agriculture came in and made a very impressive presentation in terms of their needs; the same for the mining association. The home builders did the same thing. The road builders also did the same. I understand your argument or your concern that we have to have a vibrant economy, but we do seem to have achieved that. I

mean, this is the government's slide from the opening day: "Corporation profits surge." They even put a nice little arrow there in case we miss the point.

Every single economist who has come forward has pointed out that we have the biggest booming economy that we've ever had in the history of North America. Certainly the President of the United States, in the state of the union address, wasn't suggesting that he saw this thing changing any time in the near future. But in addition—

Mr Bradley: I wouldn't place a whole lot of stock in that speech, though.

Mr Christopherson: I had a hunch you weren't a big fan of Clinton's anyway.

The issue is more one that the other presentations we've been getting have been talking about the decimation of providing affordable housing is gone because Harris has decided to give away \$4 billion to \$6 billion a year in tax cuts. By the way, the whole issue of exports driving our boom was recognized by virtually every economist. As much as the government wants to downplay it and say they spurred it on, they're riding that wave. You couldn't have screwed this one up if you tried. They can make that argument. Everybody is saying that the economy in the States is what is driving this and yet, at this time of boom, we have people coming in and pointing out that their neighbourhood education system is falling apart, the health care system is falling apart. I had a woman in my riding recently who couldn't get a bed for her mom who was being airlifted back from Mexico because there's just enough beds and the procedure wasn't clear.

The difficulty is that as much as I think you're sincere when you say you don't want to get into a situation of truckers or health care, the reality is that's where we are. My own brother is a broker. To that degree I have a vested interest, if you will, in seeing your part of the economy take off too.

Mr Bradley: Let me try to respond to that. I said yes, we are in a boom right now, but of course every economist will also tell you that things are cyclical. I talked about the underlying cost-push inflation that I see, the underlying push in interest rates that we're seeing. Also, we're now finally starting to see the Canadian dollar begin to creep up again. I'll tell you that a good deal of our export competitiveness—and the thing that's masked a lot of the underlying uncompetitiveness in our economy, in our tax system, is the fact that we've had a dollar that's been at 68 cents or lower. If that starts to reverse—I mean, many of you were sitting around here in 1988 when we had a 89-cent dollar and we were not competitive, both in the service side and the export side.

I would simply say, Mr Christopherson, with all due respect, your party produced a report of the type that Mr Phillips was asking for. It was called the Fair Tax Commission, if you remember that. It—and I can almost quote it verbatim—was saying that applying the sales tax on business input is a killer of jobs. At some point, we're going to have to pay the piper and we're going to have to

be competitive over the long term. We're going to have to be competitive even when the US economy, at some point, decides to take a breather, which we are not at the present time.

Ultimately, we have to generate our wealth externally. When you've got the population we've got, the kind of economy we've got, the distances spread across the border, then we've got to be generating wealth, we've got to make sure that our infrastructure and our transportation links to get those goods to market are efficient and productive.

The Chair: With that, we've run out of time. On behalf of the committee, sir, thank you very much for your presentation today.

1700

URBAN DEVELOPMENT INSTITUTE

The Chair: The next presenter this afternoon is a representative from the Urban Development Institute. Would you please step forward and state your name for the record.

Mr Stephen Kaiser: Good afternoon, Mr Chairman, members of the committee, ladies and gentlemen. My name is Stephen Kaiser, and I am president of the Urban Development Institute. On behalf of the membership, I would like to thank your committee for giving us the opportunity to share our perspective as part of the consultation related to the formation of this year's provincial budget.

During this short presentation, I would like to update you regarding the performance of our industry and its role within the overall economy of the province. Further, I will share with you some of the challenges we face within our sector, along with a related success story. Finally, I'll leave you with some food for thought in preparation for the upcoming budget.

The development and construction industry plays a vital role in the economy of the province, yet its benefits are often underestimated and rarely acknowledged. Every new housing start, every commercial project, every industrial development creates significant levels of employment, including direct construction jobs, indirect jobs in related industries and induced jobs resulting from spinoffs in the general economy. Collectively, these different sectors have traditionally accounted for between 9% and 11% of Ontario's GDP.

In the early 1990s, similar to other industries, we suffered through a very tough recession, and an estimated 230,000 jobs were lost. In 1989, the construction share of Ontario's GDP was \$37 billion and the construction labour force stood at 344,000. In 1999, that same construction share of the GDP was \$25.5 billion and the labour force is estimated to be nearly 300,000. We believe there exists substantial potential for further job creation in our sector over the next four years.

Obviously as a result of many factors, including a positive business climate in Ontario, the industry has experienced a huge recovery since 1995. The residential

sector has bounced from a decade-low number of urban starts in 1995 of almost 32,000 to a decade-high 62,928 in 1999. In many areas across the province, the non-residential sector has experienced a similar trend.

Enclosed with today's presentation is a copy of the city of Mississauga's building report summary illustrating the construction activity from 1996 through December 1999. You will see that when all sectors are combined, building activity grew from \$773 million to over \$1.8 billion in 1999, a huge increase.

There has been a substantial recovery in all sectors in Ontario over the last part of the decade, and the strategy of this government has played a substantial role.

One of the tax cuts which was a catalyst to the residential recovery was the first-time homebuyer land transfer tax rebate. That program was suggested by our organization in a similar pre-budget hearing early in 1996 and implemented in the spring budget. To date, over 56,000 families have used the program to assist in the purchase of their home, a substantial portion of the total market. We ask that this program be extended again, as it has allowed many families to realize the dream of home ownership.

In order to illustrate how important this rebate is to some homebuyers, we have included with our submission a copy of a recently completed study by our organization entitled *Government Charges That Drive Up the Cost of Development: A Study of Taxes, Fees and Charges in the Greater Toronto Area*. The study clearly illustrates the huge burden of taxes, fees and charges that drive up the cost of both residential and non-residential development.

The study compared the cumulative impact of taxes, fees and charges on a townhouse, commonly a first-time-buyer product. The results are staggering. Consistently, almost 25% of the purchase price is due to taxes, fees and charges from three levels of government. In real terms, a \$160,000 townhouse in York region carries a burden of taxes, fees and charges of over \$40,000. This myriad of charges often causes the dream of home ownership to be simply that—a dream. The first-time homebuyer land transfer tax rebate program for many purchasers has made that dream a reality, and it should be extended in this year's budget.

We congratulate the government on its efforts to achieve a balanced budget. However, as we celebrate the elimination of a fiscal deficit, we must understand that this quest has left a huge infrastructure deficit that must be addressed. We need to reinvest in the essential hard infrastructure items such as roads, sewer, water and transportation in order to facilitate the Blueprint that your government has outlined. This morning I joined representatives from 27 other organizations in signing the Transportation Accord, which is a call to action for a transportation investment partnership for the greater Toronto area and Hamilton-Wentworth. It clearly indicates the need for investment in transportation by all levels of government. A copy of that accord and a list of the endorsing organizations are included in your brief today.

The need for immediate hard infrastructure spending and the size and structure of the SuperBuild Growth Fund cause the industry concern. As structured, provincial infrastructure dollars must be matched with private infrastructure dollars in order for them to flow. The magnitude of the commitment of the \$10 billion in provincial dollars appears to be based on the success of achieving similar private sector investment for all infrastructure. In many cases this may not be achievable and there is a concern that the investment will not be made. Public-private partnerships are the way of the future for many components of infrastructure and service delivery, and we strongly encourage the government to continue to pursue that direction.

In 1997, our organization, working with the Dufferin-Peel Roman Catholic Separate School Board, presented to the Minister of Education the results of a comprehensive use study to explore public-private partnerships in the construction of new schools. That piece was titled *Working Together to Build Ontario's Schools*, and I have a copy of it here with me today. To date, though, that work has not resulted in the private sector designing, building and operating one new school in the GTA. These partnerships take time and may not fit every scenario.

It should be noted that the example of the 407 highway is often used when discussions of the SuperBuild fund take place. To date, there are no other similar infrastructure projects close to reality at the provincial level. Many of the infrastructure dollars are needed for much smaller undertakings, such as fixing a bridge, repairing a section of road, replacing a decayed section of pipe, or a new highway interchange—none of these conducive on their own to a public-private partnership.

The growth forecasts for the greater Toronto area indicate that an additional two million people will make their home within these borders by the year 2021. In order to facilitate that growth, a defined program of infrastructure investment must begin now. The SuperBuild Growth Fund must be unbundled and restructured in a way that allows it to partner with other levels of government and, in many cases, make specific unconditional infrastructure investments where needed. These investments are the tools to harness future prosperity within Ontario.

In closing, on behalf of the membership of our organization, I would like to thank you once again for allowing us our part in this very important process. We believe that there's huge potential within the borders of this province. We look forward to rolling up our sleeves and working with this government and all sectors to ensure that we capitalize on this opportunity.

Thank you, and I'd be prepared to answer any questions you might have.

The Chair: Thank you very much. We have approximately six minutes per caucus. I'll start with the official opposition.

1710

Mr Phillips: Thank you very much, Mr Kaiser, for your presentation. It's thorough, as always.

Let me start on the public-private sector partnership because the success of that is key to our infrastructure. The province is counting on half of the infrastructure over the next five years being funded by the private sector. They hold out the 407 as the example. I think it's a terrible example. They essentially gouged the users of the 407. They sold it off at \$1.6 billion more than it cost to build for one reason: They guaranteed the buyer that they could take tolls up at inflation plus 2% every year for 15 years. If you don't pay your tolls, you don't get your licence renewed. If some poor individual owed a penny, they couldn't get the licence renewed because it's all computerized. They own it for 99 years now.

I've been listening today to the Minister of Energy, Mr Wilson, tell municipalities, "We're not going to let you sell off your electrical utilities for a cash grab and use the money elsewhere." The 407 deal closed May 5, 1999, the day the election was called, at \$1.6 billion, a cash grab, and now the poor users of the 407—I happened to ask the trucking people what their view was on the 407 and they said, "Our trucks can't afford to use it." We haven't relieved the pressure on the 401 from trucking.

We don't have difficulty with the concept of public-private sector partnerships, but if we are going to proceed with them, have you any advice for us on some of the things we should look for when we're structuring deals with the private sector to build our infrastructure?

Mr Kaiser: Mr Phillips, I'm certainly not an expert on public-private partnerships, but we did sit down with the separate school board and work at length through pro formas and examples of how the private sector could actually build schools. It's a tough way to go. At the end of the day, when we crunched all the numbers and looked at all the efficiencies, it seemed that the school board could get money at less cost. The capital cost allowance that companies would have to deal with when dealing with the federal government was an impediment. There was a host of factors put together as to why it didn't work, at least in this scenario, for the private sector to build schools. Even today, in a conversation with the region of Halton, they've looked at length in terms of doing a deal with the private sector for their infrastructure and at the end of the day that didn't make sense in a business deal for them also.

We're a big believer in public-private partnerships. I think Mr Lindsay's a very capable individual and we look forward to working with him, but coupling \$10 billion of private sector money with \$10 billion of public money over the next five years is a Herculean task.

Mr Kwinter: I want to just pursue that. To date, there are really two big public-private sector partnerships certainly in the Toronto area, terminal 3 and the 407. Both of them have worked. Whether they've worked successfully—and my colleague has just stated what he thinks is wrong with 407. The same thing happened at terminal 3, but the only way the private sector really went forward with it is that they had a long-term upside, because they had control. They provided the facility and then they could charge. They could charge fees for land-

ing, they could charge fees for all of the franchises that were in the building. With 407, for 99 years they can raise rates almost at will.

The problem I have—and you've said that schools didn't work—is, how do you get any kind of public-private sector involvement if you're asking the private sector to get involved in a financing that has no revenue stream? If you build an interchange, what are you going to do, set up a toll booth at the interchange to say, "If you use this interchange, you have to pay for it"? How does that work in your estimation?

Mr Kaiser: In my estimation it doesn't work, and that's your point exactly. It's got to be a business case scenario. It's got to work on a pro forma in order for the private sector to get involved in it. Absolutely.

The Chair: I have to go to Mr Christopherson.

Mr Christopherson: Here you are back to putting it like it's a big burden again.

The Chair: It's not. It really isn't.

Mr Christopherson: Thank you very much for your presentation. I just have two questions, and they're based on the third paragraph of page 4 where you talk about signing the agreement regarding the transportation accord through the GTA and Hamilton-Wentworth: One, how big a component of that do you see for public transit in terms of the overall intermodal aspect of looking at transportation, or is this just strictly the corridor and nothing more? Which, I'll go so far as to say, would be somewhat problematic to us given the importance of getting as many people off the highways as possible and into public transit, given the environmental issues and everything else. And the fact that we're way behind in terms of public transit to what's happening to our competitors, both in the south and the quality of life that it brings to some of the European countries that have gone way ahead of where we are in public transit. With Harris, of course, we've gone in the wrong direction.

The other question I wanted to ask you—because I happen to agree. I was a former regional councillor before I came here to Queen's Park so I understand the importance of the transportation linkages that you're talking about, infrastructure, all of that. You almost have to be on the inside, if you will, to fully appreciate the importance of that, because it's not the sexy, headline-grabbing kinds of things that people think about. I just wanted your opinion, as the second question, on whether you think a serious percentage of the \$4 billion to \$5 billion that Harris gave away in the tax cut in the last term, invested in our transportation and infrastructure network, in the long run would bring us stronger economic activity and better returns over the business cycle. Or do you think that they did exactly the right thing, having all that money go straight to a personal income tax cut that benefited the very few wealthiest the very most and left the poor and moderate-income right out of the whole equation?

Mr Kaiser: Two good questions.

Mr Christopherson: Try not to spin in too much.

Mr Kaiser: On the first question, the accord is part of the documentation. You'll see it's very broad, it's one page. It's basically a call by all the signatories for three levels of government to come and understand that there's a huge problem here and a concern, and it's going to need to be addressed by the three levels of government and the private sector coming together for that concern.

Part of it is certainly public transit. One of the looming issues out there is a \$735-million price tag for capital improvements for GO Transit and now, as we speak, there is no way visualized to pay for them unless we divvy up the portion and put it on top of new growth here. Obviously, we're interested in finding a new solution, to be candid in that.

In answer to your second question about tax cuts and what I would have done differently, I think that's been done and happened and we're here now sitting and looking at this position. I would rather strategize going forward and be part of the solutions going forward than questioning what happened in the past.

Obviously, I alluded in the presentation to the strength of the first-time home buyer land transfer tax rebate. We've seen the magnitude of dollars that were spent for that, and you could debate that equation in itself, but we feel as an industry that was money well spent, so to speak.

Mr Christopherson: I appreciate your comment about, why review history? Sometimes that's good to do and other times it's more important to look ahead. But if you want to look ahead, we still have Harris committing much the same thing again. He's got another 20% out there, billions of dollars, so it's still a live issue in terms of what's in the best interest.

I'm sure some folks are getting tired of hearing me say this, but all of this is still in the context that we've got crises in the education system and in our health care system, in our social services, environmental protection, and every one of those also has an economic factor as well as just a human factor. So it's a contemporary question.

Mr Kaiser: It's a tough balancing act. I watched many of the participants at committee over the last couple of days. The TV was on in the office. There are some tough decisions to be made; there's no doubt about it.

Mr Christopherson: Thank you very much.

Mr Galt: Thank you for an excellent presentation. It was most interesting, particularly as you were talking about the tax load on a given unit of construction. I appreciate Mr Christopherson's comments. In the best interest we made tax cuts, the type of tax cuts we thought would really stimulate the economy and stimulate job creation, and I think collectively that has been a success.

I'm concerned about the number of people who have come before us and the number of organizations talking about affordable housing, and this is where I'm headed into. I think one of the pressures on our housing market today relates to the fact that back in 1995 one of the big things I was hearing from people was, "My young son or

my young daughter who graduated from university doesn't have a job so they have moved back home."

Well, they do have a job now and they've gone out and bought a home or have gone after an apartment. So there are tremendous pressures put on the housing market just because of those people getting jobs, moving out of mom and dad's home and now wanting to be out on their own.

1720

You're telling me that on \$160,000 construction there is \$40,000 in taxes by the three levels of government?

Mr Kaiser: That's correct.

Mr Galt: In your opinion how is that \$40,000, or 20%, affecting affordable housing and keeping people out of housing? If some of that tax were removed, how many more units might be constructed or how many more people might get into affordable housing?

Mr Kaiser: That question relates to all levels of housing, all the way through the spectrum, because it is the system. This relates back to the development charges discussions we had through the last mandate and the new legislation.

Part of the concern in the industry was this huge level of service that a homebuyer is buying into. Basically you're buying your piece of every piece of infrastructure in the community, and that is tagged on the front end of a home. I think we have to look at taking some of those costs and putting them on the back end of the purchase price through property taxes, as opposed to the current system where we have the municipality, and rightly so, concerned with getting paid for the cost of growth. I think we need to look at what we've done with some of those costs because there is too much on the front end and that front end becomes the hurdle for home ownership. You see, as you look at the \$160,000 townhouse, that it just makes it that much harder to achieve home ownership. We can take some of those costs and put them on the back end where they can be financed over a mortgage, because for young couples it's that down payment, as you know, that is the lynchpin to home ownership; it's not necessarily the payments. If we can do that, I think we can work towards better affordability across the board.

The same goes for apartments. The debate is that with the three levels of government and the taxation we're going to have to see movement from the three levels of government in order to see apartments coming out of the ground here in Toronto.

Mr Galt: Just for the record, if I could have it corrected, I said 20%. I did a little mental math and it was 25%.

Mrs Molinari: Thank you for your presentation. I just want to quickly focus on one of the comments in your presentation, and that's the Dufferin-Peel Catholic board report, Working Together to Build Ontario's Schools. I'm familiar with that report and I compliment you on the excellence of the work that went behind that. As you say, those partnerships don't work everywhere, but I think having that report is something for the future and it may

be looked at at some other point in time. There are partnerships happening with schools and municipalities. There is some of that happening and I think that's just a step forward. Having that report already done, when there is an interest from the private industry to work with that, at least there's a basis there. So I don't want to discourage you that, having done that work, it's not being considered.

Mr Kaiser: Great. Actually, we have a good rapport with the board and we're now discussing joint-use sites for high schools involving the public board also, and the community centre, library and those types of things. So those discussions are underway. There is a host of new ways of doing business, I agree.

Mrs Molinari: And that's what we're looking for, new ways of doing business.

The Chair: On behalf of the committee, thank you very much for your presentation this afternoon. Have a good weekend.

DOUG BENEDICT

The Chair: Our last presenter for this week is Mr Doug Benedict.

Mr Doug Benedict: I'm going to make it very short because I see that you have been sitting most of the day and you're anxious to get home. I'd like to thank you in advance for the opportunity of speaking with you.

My name is Doug Benedict and I do not represent any special interest group or organization. I live in the riding of Oak Ridges, which is represented by the Honourable Frank Klees. I have two children, a 15-year-old daughter and a 16-year-old son.

What I want to talk about is the education system. My daughter is the honour student in the family and my son, the 16-year-old, has had 10 years of hell within the education system.

I'm not going to ask you for the spending of any more money, nor am I here to criticize the government in the way that they are spending their money. What I want to do is to discuss the allocation of dollars in what is referred to as special education.

Some of you may argue that I am speaking to the wrong people and some of you may truly believe that I'm wasting the committee's time, but I don't think so. The allocation of dollars to be spent in the province starts right here in this room and ends here in this room. The number of students requiring some form of special care in the education system is rising at an alarming rate. It is my understanding that some experts say that 25% to 30% of the student population requires some type of extra care.

The youths who concern me are the ones the schools refuse to teach, that they force out of the system on the pretext that they do not want to learn. They are the problem students, the troublemakers, the dummies. The ones I'm talking about are the ones everyone in this room has come in contact with through their own families, through their neighbours' families. There is not one of you who

hasn't had contact with this situation. It is like alcoholism; there isn't anybody who hasn't had contact with somebody who's had trouble with alcohol.

How many times have you heard parents in your own constituencies stating, "My child is not getting what he or she needs in the school system", or you hear from the student, "I don't want to go to school any more because everybody thinks I'm a dummy"? These are the kids who have been told that they have ADHD or ADD or hyperactiveness or inattentiveness or behaviour disorders. The experts say that 20% to 30% of these kids will eventually commit a crime. The largest portion of people in our jails have been diagnosed as having ADHD.

The failure of the school system to deal with this problem has lasting implications on these kids as well as the province as a whole. We have a perceived problem with street youth. We have a perceived problem with youth unemployment. The education system is the problem. We have a perceived problem of youth crime, but the education system is the contributing cause. We have a perceived problem of youth homelessness. The education system is the contributing cause.

I said I was not going to give you a lot of research data, but I am going to mention one document and I think this should explain the argument. This document was the SHOUT Clinic's report on homeless youth unemployment. This survey was conducted in the summer of last year by an organization right here in the city of Toronto. I want to quote one section, section 5.4:

"One of the most common characteristics of a street-involved youth is clearly an early exit from the education system. While this phenomenon is partly due to family breakdown and the absence of parental support at an early age, frequently these youth display behaviour or emotional problems that undermined their ability to adjust successfully to the expectations of school.

"Participants were asked if they had ever met with guidance counsellors or doctors due to learning difficulties or emotional problems. A reasonably high 46.9% of the sample population responded that they had in fact had some counselling, whereas 47.7% had not. Of those who had some intervention in school, 25.6% reported that they had been diagnosed as having anger management problems, 19.1% were diagnosed as having attention deficit disorder, 15.2% were diagnosed as being hyperactive, and 4.5% as having dyslexia. There were then clear indicators that many of the street youth were having difficulties that came to the attention of the school authorities."

Look straight at the education system and you'll see the major cause of street youth problems.

1730

The Honourable Margaret Marland did some work last year with regard to the mental health program, but unfortunately nobody knows the results of the work, nobody knows what happened to it, nobody knows what the government did with it

Those in the education system have taken the position that these kids are not wanted in the education system.

They've taken the position that this is a mental health problem. This is garbage. These so-called intelligent people have their heads buried in the sand.

Today I want to make basically four suggestions.

In the next budget, I want the government to allocate dollars to the education system in such a way that the school boards will address this problem.

That an ombudsman be appointed to address the problem of the rapid growth of special needs in the education system.

That the question be put to the courts, "Is education a right or is it a privilege?" This is something that has been asked by many people who have been involved in the same situation as I am, "Does my child have a right to an education?" Nobody's been able to answer that question for me. People tell me it's a privilege for him to be going to school, but because he has ADD and he acts in a particular way, he has been in and out of school more times than you can possibly imagine. Without any reason, the school board in York region—the last time my son was out of school the principal of the school did not know. It took six weeks for him to know that he was out of school.

The last question I'd like to ask is, what responsibility do schools have in providing basic education for the special needs student?

To conclude, I want to say I'm not convinced that more dollars are needed in the system. I do believe that government must assure proper administration of the dollars that are in the system. This requires you, the members of the Ontario government, to allocate the funding and be specific with that funding. If the experts are correct, that 25% to 30% of the student body requires special needs, then 25% to 30% of the money budgeted to education should go for those needs. Is this not fair? Is this not democracy? Better still, is this not common sense? Thank you.

The Chair: Thank you very much. We have three minutes for each caucus. Mr Christopherson.

Mr Christopherson: No.

The Chair: The government side.

Mrs Molinari: Thank you very much for your presentation. I know it's a very emotional topic, especially when you're talking from the heart and it's something you have experienced personally, unlike a number of the other presentations we have heard here this week that have been more detached. Yours speaks truly from the heart, and I thank you for sharing that with us and some of the difficulties you've experienced.

I guess if there were a perfect way of doing it, and somebody knew what that perfect way was, we would do it. It's evolving, and special education certainly has been an area that has been of great concern to all of us. The minister made an announcement last week precisely on that. It's not to say that is going to solve all the issues and all the problems, but certainly it's an improvement. We need to continue to move towards improvements because a lot of the special needs students—and I sense that a lot are not identified and that's part of the problem, that there's a difficulty there.

I know from personal experience that they seem to be allocated as behavioural problems when in fact there is more than just a behavioural problem. Behaviour is only the reaction to an underlying problem. I think the identification certainly needs to be a very first area where school boards identify and then look at means and ways of servicing students.

The Chair: Mr Galt, you have one minute.

Mr Galt: Do you want to respond?

Mr Benedict: Tina, this problem has been there. I've heard the rhetoric, I've heard the talk, I've heard the same type of thing that you are saying. You've had the opportunity of meeting my son. What I am concerned with is that all that is being given is talk with regard to these particular problems with special education. It's all talk. There's nothing else there. The Conservative government has come out and they've taken a look at education. They've taken a look and said that they are going to evaluate teachers. That hasn't been done yet. We've heard very little about that.

We have a system in Ontario where we have the unions dictating to us what they're going to do and what they're not going to do in the education system. Until we break that down, until the government turns around and says, with their money, that they'll allocate the money in such a way that these problems are looked at and these problems are addressed. You can only do it with money, because the teachers, the people who are involved with education don't seem to address anything but the dollars. If there's not enough money, they scream.

Mrs Pupatello: Thank you for your presentation today, Mr Benedict. It's interesting to note that in fact announcements, as we've already addressed early today, that are being made in the special education area still don't get our levels of support back to where they were before the Conservative government took over. In fact, I think it's cruel to do identification of young people who have specific needs in school, because we're identifying them now actually more than ever, and to not provide support when we've identified that there's a need is cruel.

We are doing that with young babies now. We are identifying more young babies than ever before with this whole focus on prevention. Unfortunately, the identification process itself means that we're finding babies with issues and families with issues, and the social system has been so dismantled over the course of the last five years that there literally is no service to put in place when you've identified that there is a need in that family. So I think it's cruel to do that kind of identification. Now

you're going to go out there and say, "We have no service to give you," unfortunately. We have never had such a dismantling as we've had since 1995.

We actually appointed a supposed minister for children in this government, in about 1997, which we feel was just a reaction to the opposition party having a children's critic. The first thing she did was say, "Geez, guess we'd better find out what services exist." Well, had they not cancelled half the services they had in 1995, there was actually an organization within the government that knew what all the children's services were.

Mr Benedict: Excuse me, for a second—

Mrs Pupatello: I actually have a question for you.

Unfortunately, what that means is that the government doesn't know what services exist within its own government. They have cut some services that were actually very good and now, with the work of Dr Fraser Mustard, for example, they are making announcements to recreate what they cut in 1995, which is very frustrating to watch.

If you could choose one area where the government was going to make an investment in terms of assisting children with whatever the issues are, in your case it may be ADD, the types that you mentioned in your brief, what's the one area that you would specifically focus on in order to address the problem that you have seen within your experience?

Mr Benedict: First of all, I want to say that I do not believe that the problem is a lack of dollars. I happen to know what the Honourable Margaret Marland did. I think that what has happened is that if you were out there and involved in the system, you would find that what Margaret Marland did was actually a benefit to the system and not a detriment to the system.

Mrs Pupatello: Do you know what it was?

Mr Benedict: Because the system was a duplication of services, if you're talking about social services and you're talking to health services. It was a duplication of services. I'm not talking here about adding any dollars to the system. I'm talking about the administration of this system. The money is there. Damn it, administer it and make the people do what is there. The money is there; it's the people in the system—

The Chair: With that, we have used our time. Mr Benedict had 15 minutes. On behalf of the committee, I would like to thank you very much for your presentation this afternoon.

This committee will reconvene on Monday morning, February 7, at 10 o'clock in Kenora, Ontario.

Have a good weekend. We are now adjourned.

The committee adjourned at 1740.

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Chair / Président

Mr Marcel Beaubien (Lambton-Kent-Middlesex PC)

Vice-Chair / Vice-Président

Mr Doug Galt (Northumberland PC)

Mr Ted Arnott (Waterloo-Wellington PC)

Mr Marcel Beaubien (Lambton-Kent-Middlesex PC)

Mr David Christopherson (Hamilton West / -Ouest ND)

Mr Doug Galt (Northumberland PC)

Mr Monte Kwinter (York Centre / -Centre L)

Mrs Tina R. Molinari (Thornhill PC)

Mr Gerry Phillips (Scarborough-Agincourt L)

Also taking part / Autres participants et participantes

Ms Marilyn Churley (Broadview-Greenwood ND)

Mrs Sandra Pupatello (Windsor West / -Ouest L)

Clerk / Greffier

Mr Tom Prins

Staff / Personnel

Mr David Rampersad, researcher, Research and Information Services

Ms Elaine Campbell, researcher, Research and Information Services

CONTENTS

Friday 4 February 2000

Pre-budget consultations	F-185
Insurance Bureau of Canada.....	F-185
Mr Mark Yakabuski	
Yonge/Bloor/Bay Association	F-189
Mr Doug Jure	
Mr John Feeley	
Mr Norman Bergstein	
Earthroots.....	F-194
Mr Kyle Ferguson	
Ontario Home Builders' Association	F-197
Mr Dick Brouwer	
Mr Wayne Dempsey	
Canadian Federation of Students	F-202
Mr Ashkon Hashemi	
Ms Erin George	
People for Education.....	F-207
Ms Gay Young	
Ms Diane Dyson	
Ms Annie Kidder	
Centre for Equality Rights in Accommodation.....	F-212
Ms Sherrie Tingley	
Mr John Fraser	
Child Care Advisory Committee of Toronto;	
Children and Youth Action Committee of Toronto	F-216
Ms Cheryl DeGras	
Ms Fiona Nelson	
Toronto Coalition for Better Child Care	F-220
Ms Jane Mercer	
Ms Theresa Radwanski	
Canadian Association of Not-for-Profit RESP Dealers.....	F-224
Mr Tom O'Shaughnessy	
Mr Ken Goodwin	
Ontario Trucking Association.....	F-228
Mr David Bradley	
Urban Development Institute	F-233
Mr Stephen Kaiser	
Mr Doug Benedict	F-236

CA 2001
XC 25
- F31

Gouvernement
de l'Ontario



F-7

F-7

ISSN 1180-4386

Legislative Assembly of Ontario

First Session, 37th Parliament

Assemblée législative de l'Ontario

Première session, 37^e législature

Official Report of Debates (Hansard)

Monday 7 February 2000

Journal des débats (Hansard)

Lundi 7 février 2000

**Standing committee on
finance and economic affairs**

**Comité permanent des finances
et des affaires économiques**

Pre-budget Consultations

Consultations prébudgétaires

Chair: Marcel Beaubien
Clerk: Tom Prins

Président : Marcel Beaubien
Greffier : Tom Prins

Hansard on the Internet

Hansard and other documents of the Legislative Assembly can be on your personal computer within hours after each sitting. The address is:

<http://www.ontla.on.ca/>

Index inquiries

Reference to a cumulative index of previous issues may be obtained by calling the Hansard Reporting Service indexing staff at 416-325-7410 or 325-3708.

Copies of Hansard

Information regarding purchase of copies of Hansard may be obtained from Publications Ontario, Management Board Secretariat, 50 Grosvenor Street, Toronto, Ontario, M7A 1N8. Phone 416-326-5310, 326-5311 or toll-free 1-800-668-9938.

Le Journal des débats sur Internet

L'adresse pour faire paraître sur votre ordinateur personnel le Journal et d'autres documents de l'Assemblée législative en quelques heures seulement après la séance est :

Renseignements sur l'index

Adressez vos questions portant sur des numéros précédents du Journal des débats au personnel de l'index, qui vous fourniront des références aux pages dans l'index cumulatif en composant le 416-325-7410 ou le 325-3708.

Exemplaires du Journal

Pour des exemplaires, veuillez prendre contact avec Publications Ontario, Secrétariat du Conseil de gestion, 50 rue Grosvenor, Toronto (Ontario) M7A 1N8. Par téléphone : 416-326-5310, 326-5311, ou sans frais : 1-800-668-9938.

Hansard Reporting and Interpretation Services
3330 Whitney Block, 99 Wellesley St W
Toronto ON M7A 1A2
Telephone 416-325-7400; fax 416-325-7430
Published by the Legislative Assembly of Ontario



Service du Journal des débats et d'interprétation
3330 Édifice Whitney ; 99, rue Wellesley ouest
Toronto ON M7A 1A2
Téléphone, 416-325-7400 ; télécopieur, 416-325-7430
Publié par l'Assemblée législative de l'Ontario

LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
FINANCE AND ECONOMIC AFFAIRSCOMITÉ PERMANENT DES FINANCES
ET DES AFFAIRES ÉCONOMIQUES

Monday 7 February 2000

Lundi 7 février 2000

The committee met at 1004 in the Best Western Lake-side Inn, Kenora.

PRE-BUDGET CONSULTATIONS

ONTARIO NURSES' ASSOCIATION,
LOCAL 81

The Chair (Mr Marcel Beaubien): Good morning, everyone. It's 10 o'clock. I'd like to bring the committee to order. This is our fifth day on the standing committee on finance and economic affairs' pre-budget deliberations. This morning we have the opportunity and the honour of being in the great city of Kenora. Beautiful weather this morning, nice and cool.

Our first presenter this morning is a representative from the Ontario Nurses' Association, Local 81. Please step forward and state your name for the record.

Ms Judy Carlson: I'm Judy Carlson.

The Chair: On behalf of the committee, welcome. You have 30 minutes. You may use the entire 30 minutes for your presentation. If not, whatever time is left after your presentation we'll use for questions, comments or statements.

Ms Carlson: I'd like to welcome you to northwestern Ontario. Actually, those of us from northwestern Ontario think this is a warm morning. It's too bad you have to spend it indoors, because it is beautiful out there.

My name is Judy Carlson. I am a resident of the new city of Kenora. I have lived and worked in Kenora for the past 30 years. I have raised both of my children here. At present I am a registered nurse and I work full-time in the emergency department at Lake of the Woods District Hospital here in Kenora. I am also the local coordinator for Local 81 of the Ontario Nurses' Association. The Ontario Nurses' Association is the union body for registered nurses in Ontario. Local 81 covers northwestern Ontario west of Thunder Bay.

I represent the staff registered nurses working in Atikokan General Hospital; La Verendrye general hospital in Fort Frances; Pinecrest district home for the aged in Fort Frances; Emo Health Centre; Rainy River Hospital; Northwestern Health Unit, which covers all of northwestern Ontario; the Kenora and Rainy River district community care access centre, which also covers all of northwestern Ontario; Lake of the Woods District

Hospital here in Kenora; Pinecrest district home for the aged here in Kenora; Birchwood Terrace home for the aged in Kenora; Dryden District General Hospital; Sioux Lookout District Health Centre; and the Red Lake Margaret Cochenour Memorial Hospital in Red Lake. As you can see, this is representative of many areas of health care: acute care, long-term care, community care and home care. All provide an essential service to our communities.

I was born and raised in southern Ontario. My hometown is in Meaford, on the western shore of Georgian Bay, which is quite a rural area. I did my nurse's training in St Thomas, just south of London. I know this province well. I have travelled it extensively and I know people who live and work in most of the province. I am here to say that Ontario is a very diverse province. The various areas are very different. What might work in southern and metropolitan Ontario does not usually work in northern and rural Ontario.

I am sure you are all aware of a recent study that shows that people living north of Parry Sound are at a distinct disadvantage when it comes to longevity. Most, if not all, of the hospitals in northern Ontario have submitted deficit budgets. These hospitals are running as lean machines as it is now. There is no more fat to be cut without cutting what most would qualify as essential services. If that service is cut, there is no one to take it over. In the north we have traditionally worked as a community, through necessity, in co-operation. There is not the population base to have many places providing the same services. For example, if a hospital cuts outpatient physiotherapy service, which in many cases is an essential service, there is nowhere else to get that in the area.

Lake of the Woods District Hospital is running on a budget that has had a decrease in funding of \$1 million over the past five years. Add on inflation and other increases, and this is really more like a \$5-million revenue reduction.

If there is not access to these services, it makes it very difficult to attract health care providers: doctors, both family practitioners and specialists, nurses, physiotherapists, and other health care providers. Even new businesses are reluctant to move to a community that cannot provide a wide range of health care services.

Privatization does not work. It does not save dollars in any setting. For those needing the care, it creates great

inequities. It makes a two-tier system. Those with money get; those without go without. And private, for-profit agencies are not attracted to this area because of the geographics and population base. There is no profit to be made providing health care in northwestern Ontario. In fact, I was talking to a friend in Winnipeg last night who works at a private, for-profit nursing home in Winnipeg, and conditions are pretty terrible.

Health care in northwestern Ontario is in crisis. Health care in all of Canada is in crisis, but northern and rural areas are critical. Because of cuts to health care systems over the past years, there is no health care system; it is sick care and there is no system. There are silos of funding. Hospitals, nursing homes, long-term care, community health, home care, diabetic education and many other areas all should be under one umbrella, all co-ordinated into a system that works to serve the people of this province.

Essentially, bureaucrats tend to pass the blame on to other departments or levels of government when there are problems. The people at that level need to know how the system works.

1010

A Ministry of Health spokesperson was recently quoted in the Thunder Bay paper on January 18 as saying that he was not aware of any hospitals in the province where there was not always a doctor on-site. I hate to tell you that in most, if not all, small community hospitals there are many hours every day that, if there is not a critical situation going on, there are no doctors on-site. There needs to be an effective accountability framework in all levels: funding, service and delivery.

Some examples of how the fractured system we now have is failing us:

Between Christmas and New Year's there was a patient in a small hospital in northwestern Ontario who needed more advanced care than could be provided there. At no hospital in Ontario, not in Thunder Bay, Sudbury, Ottawa, Kingston nor Toronto, was there a bed to be had. The patient was transferred to Duluth, Minnesota, USA, for two days, flown there and back. This is not the only patient from northwestern Ontario who has had to have treatment in Duluth because the treatment was not available in Ontario. Actually, the treatment was available but due to a lack of beds, staff or funding, they could not get it in a timely manner. In southern Ontario, patients are being sent to American facilities for their cancer care because there are not adequate resources in Ontario. Does this make economic sense, to pay our tax dollars to another country to provide a service that could be provided more economically at home if there was a system that worked? Imagine the unnecessary stress on these patients and their families.

There is a critical shortage of nurses in northwestern Ontario. This past summer, the hospitals in Dryden, Fort Frances and Kenora each spent at least \$50,000 over a four-month period just in overtime. That means nurses were working more than full-time hours and/or beyond their regular shifts.

In Rainy River hospital no one got holidays, because there was no one to replace them.

Last fall the Lake of the Woods District Hospital closed 10 beds and cancelled all elective surgery for several weeks due to the nursing shortage. They created 10 new full-time positions. Some of these positions were not really full-time; they were made by combining part-time positions that were not filled. The 10 new positions are filled and we are still working overtime. I could have worked two shifts this past weekend, and I am as a last resort.

Now we have very few part-time and virtually no casual nurses to fill in for sick time, vacation etc, but no one will come here for anything but full-time work. Can you blame them? If nurses are forced into part-time jobs but require full-time to pay the bills, they work more than one job and are still not available for call-in. This is a scenario that is common in every town across the north and in many of the areas in the south as well.

There needs to be funding made available for health care facilities to create local incentives to attract nurses to the communities. The universities must be encouraged to make northern and rural experiences available to their nursing students, much like what is done for the doctors.

It has become abundantly clear to the Joint Provincial Nursing Council subgroup, the nursing task force, that it is impossible to track the dollars and where they go and how they get to front-line nursing in their nursing care plans, or even if they make it there. The government has made repeated announcements of dollars flowing to health care. We know the same dollars were announced on several different occasions in different formats, and that makes many believe there is a lot of money coming back into health care when in fact the front lines see very few of those dollars. They are soaked up somewhere and they are never seen at the patient-care level.

A few years ago this government spent many thousands of our tax dollars looking at integrating health care systems. Communities put a lot of time and effort into bringing their data to that forum, but to date we have seen nothing.

Please take immediate action on the recent Health Services Restructuring Commission recommendations released in December 1999 regarding primary health care strategy. Having a comprehensive primary health strategy system will ensure better utilization of all parts of the system, and the real winners will be the public: the consumer, the taxpayer.

In the present non-system there is underfunding of the public health units, the one real area that concentrates on health. There must be provincial standards set up. With the downloading on to the municipalities, municipalities may choose not to fund the health units, and those very important public health services will not be provided.

Home care and long-term care have had their funding cut. If public health units were adequately funded to carry out all their mandates fully, if home care was funded as an essential service, which it is, and not privatized to the lowest bidder, which it is, and if there was an

adequate number of long-term-care beds that were adequately funded, there would not be a backup of long-term-care patients in acute beds. Long-term-care patients could be cared for by adequately educated caregivers and would not require acute-care beds as frequently as in the present situation. As you can see, it's all related, not separate.

Continuing education is an essential for health care providers. It is mandated by the Regulated Health Professions Act that health care professionals must have a continuous education plan. Education in this area is very difficult to access. It's expensive to travel out for education and it's expensive to bring people in to educate. University tuition has skyrocketed out of the reach of most people. Education is definitely another field that this government is in the process of desecrating—but that would take another day—but it does need careful consideration and needs to be made more accessible to all.

Locally, there is a registered practical nursing program that is to be discontinued, a program that is desperately needed with the nursing shortage. As well, there is a proposal to have a registered nurses' program here at Lake of the Woods District Hospital, a program that would help relieve the nursing shortage, at least locally and in this area of the world. We ask for your support.

In the business plan for 1999-2000 of the Ministry of Health and Long-term Care there were to be five areas of focus:

Hiring more nurses: 10,000 is the number that I recall. Recently the number 4,300 has been a guesstimate; again, no way of tracking, but still a long way from 10,000, and unless there are a lot of positive changes in the system, it will be very difficult to reach that 10,000.

Decreased waiting lists: Until there is sufficient funding returned to the system, this will not happen. Waiting for medical and surgical interventions, especially of a critical nature—for example, CT scans and diagnostics—is very stressful for people. Imagine waiting two, three, four, maybe even more than five weeks to see if you have a cancerous growth, all the time wondering, "Is it growing while I wait?" And afterwards, "If I had gotten treatment sooner, would I have a better prognosis?"

Relieving pressure on the emergency rooms: Unless the whole system is considered, this is not going to change. Of interest to you perhaps, there is no redirect in northwestern Ontario. From Kenora, the next emergency department is 130 km to the east, in Dryden, or 200 km west, in Winnipeg.

Expanding home care: a necessity with the downsizing of hospitals and the rush to get patients out sooner. But that means there must be sufficient funding; public funding, that is. This will also help meet the previous three areas.

Expanding long-term care: Again, a necessity, but again it requires adequate funding. There was a proposed 20,000 new beds in the province. So far we have not seen any locally. There is some shifting from community to community, but there do not seem to any more beds.

There must be strict standards of care, high standards that are mandated and monitored.

A few years back, there was a reduction of funding hours required for each resident in long-term care; this at a time when residents are requiring more and more care. People are not in these facilities unless they need more care than can be provided at home. There are changes to the Long-term Care Act being tabled this spring. I would ask that there be full consultation with the public, with adequate time for all to respond. You can tell that even these five focuses are all related, all one system.

In closing, I encourage you to look seriously at the five principles of the Canada Health Act when you are making recommendations on the health care budget: public administration, comprehensiveness, universality, portability and accessibility. It is imperative that if the single-tier health care system that we as Canadians are so proud of is going to survive, adequate funding, at a pre-1993 level, must flow and must flow quickly to a publicly funded, comprehensive health care system that will provide universal, portable, accessible health care to the residents of Ontario.

Thank you.

The Chair: Thank you very much on behalf of the committee. We have approximately four minutes per caucus. I'll continue on the same rotation that we left off on Friday afternoon, and I'll start with the government side.

Mr Ted Arnott (Waterloo-Wellington): Thank you, Ms Carlson, for your presentation.

I think I can probably speak for all members of this committee. We are all very happy to be visiting Kenora today to hear the views of the people of this community on issues of concern. You started off with probably the number one concern across the province of Ontario, still the health care system, and you outlined some very good advice, I think, that we have to consider.

You said the budget for the local hospital in Kenora is about \$1 million less than it was five years ago. Have there been reinvestments taking place? I don't have the figures in front of me, but there have been a number of announcements in the last year or so which provide reinvestments for most of the hospitals. Is that included in that figure that you've given us?

Ms Carlson: Yes. Sometimes what happens when it filters down to the smaller hospitals is that it doesn't make enough—the nursing money that came in wasn't enough to even create a new full-time position to attract new nurses to the area.

1020

Mr Arnott: It was always the expectation and hope of the government that reduced funding to hospitals wouldn't mean less patient services, that hopefully there would be improved patient services by directing resources towards patient care as opposed to unnecessary administration.

Ms Carlson: From the staff perspective, I think we are about as lean as we can get in management. Even if you could say you were going to get rid of one manage-

ment position, that wouldn't give us enough to improve where we need to improve. I think it has been shown in a few other places where they have cut management to the bone that then there is no leadership. You have to have leadership in the area. If there is no leadership, then things don't happen as they should.

Mr Arnott: You mentioned the tendency of levels of government to point the finger at other levels. At the risk of sounding like I am doing that, I point out the fact that the federal government has reduced transfers to the provinces, as you know, by about \$6.2 billion, although there was a partial reinstatement of about \$2 billion in the previous budget. Last week in Quebec City, the pitch of all provincial governments of all political stripes, not just our provincial government, was that in its upcoming budget the federal government needs to restore that funding fully so that we can ensure that our health care needs are being better met across the whole country. I assume you would support the call of the premiers in that respect.

Ms Carlson: Yes, we do support that. If you are looking at the whole picture of northwestern Ontario, to our north, which all the provincial hospitals in the south serve, we have our aboriginal communities, which are federally health care funded. There doesn't seem to be any coordination between the provincial and the federal, and it all runs together here. Sioux Lookout is a big area, and is probably one of the very few small communities in this province that has two hospitals. They have the provincial hospital and the federal Sioux Lookout zone hospital, which over the past couple of years has had what I would call catastrophic consequences with the universities from the south pulling out their medical support.

That has made a really big impact on our provincial hospitals. Not having health care services in those remote communities really makes a big impact. People who are transferred out of there and into provincial hospitals are usually very ill when they get transferred, because they aren't receiving the care they used to get when doctors went in there, and their chronic conditions were looked after. Without that, it's not happening and so they are critically ill by the time they are transferred out.

Mr Monte Kwinter (York Centre): Ms Carlson, is the ONA agreement that was ratified last weekend going to help in any way to attract new nurses to the profession, or is it just going to possibly keep there longer the nurses who are already there?

Ms Carlson: I hope it will attract new nurses. There were some good gains at the start level, to make it more attractive to people coming into nursing, so we're hoping that will happen. It's hard to project. Working conditions are a big part. If you are working short-staffed all the time, it doesn't matter how much you make. It doesn't make work a place you want to go to. If we can attract enough nurses that they are not working short-staffed all the time, it makes it a much more lucrative profession.

Mr Kwinter: You are an emergency room nurse.

Ms Carlson: I am.

Mr Kwinter: I sit on the board of Branson hospital. One of our critical areas is getting emergency room nurses, and this is in Toronto. We just can't seem to get them, and it has created a problem, so much so that with that and with getting emergency room doctors, the emergency department is closed from 10 o'clock at night until 8 o'clock in the morning. Do you have the same kinds of problems up here?

Ms Carlson: Maybe on a smaller—well, I don't know if you'd call it a smaller scale. We are a community hospital. There isn't always a doctor available, so you have to have experienced nurses working in the emergency department, especially on the night shift. You're the only one there lots of times, so you have to be comfortable in your skills. You never know what's coming through that door, and it doesn't always come in by ambulance so that you're prewarned to have extra people there.

Doctors are going to become an issue here. The doctors don't like being on call as often as they have to. It really decreases their quality of outside life when they have to do call. They are up at all hours and expected to run an office as well, because we don't have enough family physicians. I'm not sure how many thousands of people in Kenora do not have family physicians. All of our physicians are over-taxed now and cannot possibly take on more, so that emergency physician role is becoming unattractive.

Mr Kwinter: I assume the fact that there's a cap on their billings also impacts on that, because if they are going to have to stop or have no incentive, the first things they want to get rid of are the night shift and the emergency.

Ms Carlson: That's right, because if you are up all night, you can't practise in the morning and you can't do other things that you might like to do socially during the next day. And you can never tell. You might get a night's sleep and you might not; you don't know that.

Mr Kwinter: Tell me how you handle the fact that there's no redirect. What do you do?

Ms Carlson: You just have to take them. It's not uncommon to have every stretcher in our department full and three and four stretchers in the hallway, which actually doesn't quite meet fire regulations, but you do what you have to do and yell for more hands. They're not always available. We haven't had any major crisis, but even with opening the 10 beds we're still keeping people in emergency overnight, and sometimes two and three nights, on a stretcher. We do not have an observation unit, so if you're sick and in the emergency, it doesn't mean you're not going to have people coming and going in the room all night, because you're having people in and out for other things.

Mr Howard Hampton (Kenora-Rainy River): I was amazed; I think you managed to mention just about every community in northwestern Ontario in your description of the problem.

I want to ask you four specific questions. You mentioned that the registered practical nurse program, the

training program here at Lake of the Woods District Hospital, is going to end at the very time when there is a critical nursing shortage. Could you tell me why that's happening?

Ms Carlson: I'm not sure why. A number of years ago it was to be in Kenora one year and in Fort Frances one year. As it has turned out, it's been in Kenora every year. But there just isn't the funding. The colleges aren't running the program.

I think there are some changes in nursing education. There's been a push to do away with what used to be the registered nursing assistant, now RPN. They are upgrading their skills. It used to be you had your diploma RN, your RPN, and the nursing aide. What I see in the future is that it will be your baccalaureate-trained nurses, the RPN will be upgraded to RN, and then your health care aide.

I might add that people working in the kitchen and housekeeping one day are not adequately trained to look after patients the next day. This is what's happening in our long-term-care facilities. Working in emergency, the people who are coming in from our long-term-care facilities—there just aren't enough hands. You can tell that they are not getting the level of care they did five years ago, and it's really sad. It's a combination of having untrained people and not enough people to look after these people. Most of these are heavy-care patients. Most of the people in our long-term-care facilities are almost total care, and for whatever reason there just isn't the money there to provide adequate funding for the staffing levels.

Mr Hampton: And the funding to continue the RPN program?

Ms Carlson: The college isn't going to continue it.

Mr Hampton: You mentioned in your comments that part-time nursing doesn't work here. Yet what we're seeing across Ontario is a move toward trying to utilize nurses more on a part-time basis, and less full-time nursing. Why do you say part-time nursing or contract nursing or temporary, on-call nursing doesn't work here?

Ms Carlson: Well, you have to pay bills, and when you're working part-time or casual, there's no guarantee of the number of hours that you're going to work. If you need full-time work, you're going to go someplace you can get full-time work or you're going to pick up two part-time jobs, three part-time jobs. If you're working three part-time jobs, some people are almost double-shifting to make sure they're getting their number of shifts in. You've got a two-week pay period; you have to pay the bills. So you work like crazy the first week, until you have yourself exhausted, to make sure you're getting—we're over 50% part-time. You don't see half-time architects or engineers. There isn't a part-time—it's the nature of the beast, but there has to be some guarantee of the number of hours that people can work. If the spouse comes into the community and has a full-time job, you don't need full-time. But to attract new people into the community, they aren't going to come for part-time work.

1030

Mr Hampton: Is that the experience, that when you try to recruit nurses from, say, Winnipeg or elsewhere in Ontario, they're looking for full-time work, not part-time work?

Ms Carlson: Yes. "If you can guarantee me full-time hours, I'll be there in two weeks. If you can't guarantee me full-time—a full-time job, not just full-time hours—I'm not coming."

Mr Hampton: You mentioned primary health care reform. I wonder if you can elaborate on what you believe needs to happen in terms of primary health care reform.

Ms Carlson: I think there has to be one health care budget. Locally here, we fought for years—there was a silo for diabetic education and a silo for hospital. We came very close on several occasions to losing our diabetic education program. The number of people with diabetes in this community is astounding. There was nobody else to pick up that service, and when you made the call—we don't have access to those. It's all one. It's the same in long-term care. If you have a retirement community, you might need more long-term-care services in that community than in a young and growing community, which probably needs more acute care kinds of things. It all needs to be under one. The hospital and the long-term care and home care all need to be one, and that community needs to lay out where it's needed most in that community, and not have one ministry against another ministry. That just doesn't make sense. It takes so long that it's not effective.

The Chair: With that, Mr Hampton, your time has expired. On behalf of the committee, thank you very much for your presentation this morning.

KENORA AND DISTRICT CHAMBER OF COMMERCE

The Chair: Our next group is the Kenora and District Chamber of Commerce. Good morning. On behalf of the committee, welcome. Could you please state your name for the record.

Ms Debbie Schatkowsky: Mr Chairperson, committee members, ladies and gentlemen, my name is Debbie Schatkowsky, the just newly elected president of the Kenora and District Chamber of Commerce. With me this morning are two fine gentlemen: Mr Blair Hutchings, a chamber director and also president of NOACC, the Northwestern Ontario Associated Chambers of Commerce; and Mr Pat Brett, the past president of our local chamber. Both gentlemen are here this morning to help me answer any questions you may have after this presentation.

First of all, welcome to the city of Kenora. As you may know, on January 1, 2000, we became the newest city in Canada. For future reference, you could refer to us as the largest city between Thunder Bay, Ontario, and Winnipeg, Manitoba.

Being situated in northwestern Ontario certainly allows for unique situations and concerns. Northern areas are not often given a chance to voice their concerns, and I would like to thank you for giving the Kenora and District Chamber of Commerce an opportunity to represent over 200 businesses and provide input to the financial decision-making of our province.

I'm sure you didn't drive to Kenora this morning, so I thought I'd give you a really quick geography lesson, and I assure you that you will then know what I meant when I said we have unique problems and challenges different from other areas of Ontario.

Kenora is geographically situated only 215 kilometres or, in other words, a two-hour drive, from the US border at Fort Frances to the south of us. To the west we are only 55 kilometres from the Manitoba border and subsequently it is only a two-hour drive to the major city of Winnipeg. To our north lie many remote communities and, to the east of us, some 1,855 kilometres or a 24-hour drive away, is Toronto. It is believed that all of southern Ontario could fit between Thunder Bay and Kenora.

As you can see, our problems arise mainly because of location, location, location. That alone affects the following seven concerns we bring to your attention. Please note that the order in which I present these issues does not reflect the most important to the least important, but, rather, keep in mind that all these issues are of equal importance to us.

The first concern we have affects every member of our community and seems to worsen by the day. Our local health care system and hospital are at a crisis situation now and cannot take any more cuts. There are over 1,000 people in Kenora without a family doctor and the numbers are growing. Over the last two years we have lost four general practitioners. Funding must be restored for relief doctors. Our local doctors need a break or a holiday.

It's a fact that in 1993 we received \$600,000 more from the Ministry of Health than we currently receive today. Kenora's health care system is not being treated fairly, and we are expected to do more with less. In 1993, 90% of the costs of our health care system were paid by the Ministry of Health. Today, 84% is covered by the ministry. That 6% decrease represents millions of dollars in actual cash cuts. When you factor in normal wage increases and inflationary issues, the problem grows. There is simply no fat; there is no give in the system. It has been expressed to me recently by a local health care official that a simple flu bug drains our resources immensely.

Our hospital was recently awarded \$230,000 dollars, a 0.5% increase from last year. The provincial average increase was over 2%. If Kenora had received 2%, all of the problems we now face would be gone. It must also be noted that the administration and support services costs of our hospital are among the lowest in Ontario. In fact, our administration costs are the lowest and support services costs are the third lowest, proof of the high efficiency of our system.

In closing remarks on this issue, I'd like to point out—and this is where our geography plays a part—that if our hospital is forced to cut services to save money and meet its budget, you must be reminded that our patients are close enough to Manitoba and Manitoba will take them. The Ontario government would then, in turn, be billed by the Manitoba government services. In the end, where are the savings?

The Kenora and District Chamber of Commerce requests the financial support of the provincial government with this next concern, the snowmobile permit issue in northwestern Ontario. In a letter from the Ontario Federation of Snowmobile Clubs, President Bert A. Grant, to Premier Mike Harris, dated September 21, 1999, Mr Grant pointed out that the OFSC has worked very hard since the introduction of the Ontario snowmobile trail funding initiative in 1995 to secure sustainable funding for the operation of the province's tourism-based snowmobile trail infrastructure.

It was the understanding of the OFSC that the provincial government was prepared to support the volunteers who operate the trails upon which the growing winter tourism industry is dependent. In order to sustain snowmobile tourism trails in northwestern Ontario, new operational funding must be forthcoming before the burden on our clubs and volunteers becomes unbearable.

1040

The initial reasoning behind the government's involvement was to create opportunities for expansion of the tourism industry by allowing the industry to generate much-needed dollars in the wintertime. Successful marketing efforts of the provincial and federal governments have dramatically increased the traffic of non-resident snowmobilers on our trails. However, the increased usage of our trails has resulted in an increase in operational costs. As a responsible partner of the government of Ontario, the OFSC felt it had to take whatever immediate action it could to protect the tourism product both had invested in. Trail-use permits are currently the only source of operational funding for trails that the OFSC has.

As Mr Brett, our past president of the Kenora and District Chamber of Commerce, alluded to in his letter to Mr Joe Spina, MPP, the proposed full-season permit fees of \$300 to non-resident snowmobilers and \$150 to full-season Ontario residents for the year 2000-01 are not the answer. These outrageous fees will only drive away visiting snowmobilers to other destinations that are not gouging them for permit fees.

These recent price increases have already had a negative effect on winter tourism in our area. It's important to remember that because our base population in the north is limited, the sale of trail permits to residents is insufficient for continued development and maintenance of the trail system. The dollars generated through non-resident trail permits are critical.

Mr Brett went on to point out that the revenue generated by riders to hotels, restaurants etc greatly affects the viability of many operations. In areas with a larger resi-

dent rider base, this may not be the case. It's essential that we encourage visitors to come to our area to experience some of the finest snowmobiling available in North America.

The Kenora and District Chamber of Commerce feels that it would be in the best interests of Ontario to play a greater role in expanding this relatively new and vibrant industry it helped to develop.

A suggestion we would like to make to the Ontario finance committee is that perhaps Ontario should be charging a snowmobile registration fee, using 90% of those monies to fund the volunteer groups for the trail maintenance and development. That would leave 10% to allow for government administration costs. Perhaps this would then allow out-of-province stickers to be offered at reasonable rates to encourage tourists, not deter them. I must note that an Ontario snowmobiler travelling across into Manitoba is only charged a \$50 trail permit fee.

Another very important issue we would like to bring to your attention is gasoline prices. As you may or may not know, Kenora has the second-highest gas prices in Canada. We are situated on the Trans-Canada Highway, allowing easy access by fuel haulers, yet 18 kilometres west of us, in Clearwater Bay, and 60 kilometres to the east, in Vermilion Bay, the prices are lower.

The Kenora and District Chamber of Commerce is very concerned for the local retailers. They are the visible, front-line people who are seen every day when we gas up our vehicles, and with the constant rise in gas prices it is very easy for consumers to direct their anger at those retailers.

The Kenora and District Chamber of Commerce has been a participant in the fair gas price committee formed here last spring. In fact, our office was used as a clearing house and communication centre for letters and comments from the public. The mandate of the chamber is to look out for the interests of businesses in Kenora and surrounding communities, and it is clear to see that the price that northwest Ontario, particularly Kenora-area people, is paying for gasoline is a travesty and grossly unfair to all.

We felt it was extremely important that we collect and analyze the information available as to why this is happening to us. The chamber of commerce had requested information from the gas retailers in our area with respect to gasoline costs at the pump. Further to receiving it, we have investigated the information to ensure its accuracy. I must add that we feel the approximate 10% margin for retailers is not at all out of line, as the normal practice in retail is to try to have a 30% margin to cover the costs of operation, like overhead, utilities and salaries.

The following is an average breakdown of the cost of a litre of gasoline sold in Kenora today—that's regular gasoline. The provincial fuel tax is 14.7 cents a litre, federal excise tax is 10 cents a litre, the GST is 4.5 cents, making the total taxes 29.2 cents per litre. The cost of the fuel from the oil company is 38.4 cents, freight from Winnipeg is one cent a litre and the dealer's gross profit

is 5.3 cents, leaving us the current Kenora pump price of 73.9 cents for a litre of regular gasoline.

The current provincial fuel tax of 14.7 cents a litre applies equally across the province. This money is spent on building and maintaining provincial roads and highways. And we do credit the government for the recent increase in spending towards northwest Ontario highways and roads—but don't stop there. The roads are our lifeblood.

We realize that much more of the money raised through the total government taxes collected, 29.2 cents, are spent on highways in southern and eastern Ontario—paying for the big toll highways and the 401. In fact, the government has recognized that less money is spent on highways in northwestern Ontario by reducing the cost of a vehicle licence here; a vehicle licence costs less here than in southern or eastern Ontario.

By doing that, the government has set a precedent. The same should apply to the provincial fuel tax—less money is spent on highways in northwestern Ontario, therefore the provincial fuel tax should be lower here than in eastern and southern Ontario.

We ask for your help to investigate why prices in northwestern Ontario are so high and encourage you to work with the federal government. Force them to the table with the oil companies. Surely there must be some room for the oil companies to move on their prices. It is simply unbelievable that it is cheaper to deliver gas to Clearwater Bay, Vermilion Bay or Dryden than to Kenora. All we want is a fair deal at the gas pumps, and the current situation is simply unacceptable.

Another issue recently brought to our attention is the Ontario government's position on economic development programs, especially in northern Ontario. Cuts to this kind of funding have the same impact on our economy as the high permit fees for non-residents have on tourism in our area.

The uniqueness of northern communities must be recognized, and special consideration given to our areas. It is very difficult to attract and keep good, qualified people in our economic development offices. Without these human resources and subsequent marketing money to promote our area, progress in economic development ceases.

It is apparent by the support from the federal and municipal governments that qualified personnel and the funds they require to provide economic development programs for our area are of great importance to ensuring our continued growth and prosperity. Should we not expect the same support from our provincial government?

In 1999 the Kenora and District Chamber of Commerce was once again asked by the Northern Ontario Associated Chambers of Commerce to submit resolutions for provincial and/or federal government action. Five resolutions were submitted by our chamber and endorsed by NOACC. The Northern Ontario Associated Chambers of Commerce represent 16 chambers, consisting of 2,000 businesses from the Manitoba border to Marathon.

The following three resolutions pertain directly to the Ontario Ministry of Finance. The first one reads:

"In the provincial sales tax 'business' classification system, the 'logging' and 'farming' industries are exempt from paying the PST in regard to the purchase and repair of equipment and materials used to complete their job. The PST classification system does not take into account those companies in the reforestation industry who also prepare land and plant trees on that land, which is similar work to that done within the farming and logging industries. The only work the reforestation companies do not do is the harvesting of materials.

1050

"Reforestation companies, which as their business conduct forestry/farming type work, cannot compete fairly with those companies who are classified under the PST system as being within the 'logging' or 'farming' categories. The main issue is in the land scarification (site preparation) which uses the same equipment as that which is used for daily logging activities. Those companies whose main industry is logging quite often do site preparation with the same equipment. This makes competition unfair because these companies, classified as 'logging' have a PST exemption on all equipment, repairs to their equipment and materials necessary to complete the operations."

We ask:

"That the government of Ontario, in particular the Ministry of Finance, examine the PST exemption classification with a view to the equalization of PST exemptions. This will allow for more equal and fair competition in the workplace."

Next we have:

"Smaller municipalities in Ontario have a very difficult time financing tourism promotions due to budgetary constraints. Often there is little or no moneys left in municipal core budgets to finance tourism promotion in those communities in which tourism revenue is a critical component of their economies.

"Current legislation prohibits the imposition of an 'accommodation or bed tax' for accommodation facilities within municipal jurisdiction. Such tax, if able to be implemented with monies generated dedicated to tourism promotion, would greatly improve the ability of small municipalities to promote themselves, resulting in increased tourism revenues to support local economies."

Again we ask:

"That the government of Ontario, in particular the ministries of municipal affairs and finance, amend legislation which would allow municipal governments to implement an 'accommodation or bed tax' and that the monies generated from such a tax must be specifically dedicated to tourism promotion marketing campaigns. Increased market presence will result in increased tourism-related expenditures in Ontario."

Finally:

"Northwestern Ontario clothing retailers are in competition with Manitoba retailers for the consumer dollar. Currently, Manitoba laws permit the deletion of provin-

cial retail sales tax on clothing if the customer is 14 years of age or younger. The resultant savings to the consumer have driven Ontario-based consumers to shop in Manitoba and reduced potential retail clothing sales to Manitobans and others travelling in Ontario who are expecting not to pay PST on such purchases.

"Northwestern Ontario clothing retailers are at a competitive disadvantage because of the current set-up of the Ontario provincial retail sales tax with respect to clothing sales to children. This results in loss of sales and potential sales for retail clothing merchants in Ontario."

We ask:

"That the government of Ontario, in particular the Ministry of Finance, amend the Retail Sales Tax Act to allow Ontario retailers to delete the provincial sales tax on clothing for purchasers who are 14 years of age or younger."

In closing, once again I would like to thank you for allowing the Kenora and District Chamber of Commerce the time to express our concerns to the Ontario government's Ministry of Finance.

The Chair: Thank you very much for your presentation. We have approximately three minutes per caucus.

Mr Kwinter: Debbie, I just wanted to correct a particular statement that you have in there, just to let you know so that if you're making representations to the government you'll understand. You imply that the sales tax on fuel is being used to improve roads and build roads and that it's not coming up north. You should know that that doesn't happen. The fuel tax is not a dedicated tax that goes to building roads; it goes to the consolidated revenue fund. That's a great bone of contention with the Canadian Automobile Association and the Ontario Road Builders' Association, because initially that was what it was intended to do. But it's been years and years, decades, where that hasn't happened. The money comes into the consolidated revenue fund and is used for general government expenditures. There's no relation whatsoever of the amount of tax on fuel and the amount of money that's put into roads. You should know that, and rather than suggest that this is the case in your representations to the government, you should make that point to them, because there are others trying to do exactly the same thing.

I'd also like to comment on the snowmobile incident, which I have to admit I wasn't aware of; it's not a huge issue in Toronto. How did that work? You're saying it costs \$50 for an Ontarian to go into Manitoba? I assume then that it's probably free for Manitobans or maybe just a nominal fee, or is it all the same?

Mr Blair Hutchings: Last year, the Sunset Trail Riders association, which is our local club, had reciprocity with Manitoba. They could ride for free if they had their trail permit and we could ride for free on their trails. That was just a one-year trial. That ended this year. So for a Manitoban to ride on our trails is a full permit price of \$150 a year per sled.

Mr Pat Brett: That reciprocity agreement was agreed to by OFSC on a one-year trial period, but it was also

ceased by OFSC this year, although representatives of the northwestern Ontario clubs—in particular the Kenora-Dryden area—went back to them and said: “This worked. We generated some new traffic in here.” But their mandate being across Ontario, period, again they simply wouldn’t hear of it, and the same with the permit fees. I guess the suggestion we’re making is that sometimes the one-size-fits-all is making it very difficult in this particular area. We don’t have the resident population to sustain the industry, so non-resident and visitor population is very critical to the economy in terms of winter tourism because that’s what the whole initiative was sold under.

Mr Hampton: I want to focus just for a minute on the snowmobiling so that people get the full picture. As I understand it, there are about 700 to 1,000 people who live around Winnipeg, but the snowmobile trails in Manitoba, after awhile, get rather boring because it’s all bald prairie?

Mr Brett: That’s correct.

Mr Hampton: There are literally hundreds of thousands of snowmobilers in North Dakota, South Dakota and Minnesota, but they also get bored of the bald prairie, so they like to come somewhere where the snowmobiling has some interesting landscape and some interesting communities, communities like Kenora, Dryden, Ear Falls?

Mr Brett: And quality trails, Howie.

Mr Hampton: And quality trails, which we all partnered together to build. Is it fair to say that snowmobiling has the potential to become a very important winter economic activity?

Mr Brett: Absolutely, in an area that really had very little. It could be the premier winter activity and create jobs and create economy.

Mr Hampton: So we are talking about an important recreational activity, but more than that we’re talking about an incredibly important economic development opportunity?

Mr Brett: That’s correct.

Mr Hampton: What you’re asking is for the government to recognize this and make a small contribution?

Mr Brett: It wouldn’t take a lot to sustain the industry, but clearly it’s not working the way it is, and I believe that the government could take a role and should take a role in sustaining this important economic development initiative.

Mr Hampton: Is it fair to say that the government in Manitoba has recently decided they’re going to concentrate on snowmobiling as an economic development opportunity?

Mr Brett: We understand that as indeed correct.

Mr Hampton: So this becomes a competitive situation as well?

Mr Brett: Absolutely.

Mr Hampton: Could I ask just a few questions about gas prices? It is unfortunate that the government’s gas price task force, which is made up exclusively of government members, wouldn’t come to this community, nor

would they go to Red Lake, Sioux Lookout, Pickle Lake, Ignace or any of the communities that experience very high gas prices. I just want to elaborate on a couple of things in your brief. Kenora has a population in the area of about 17,000?

Mr Brett: Correct.

Mr Hampton: Clearwater Bay, which is about 20 kilometres to the west, has a population, I understand, of about 500—about that, more or less—and Vermilion Bay, 60 kilometres to the east, has a population of about 1,500?

Mr Brett: Probably even less.

Mr Hampton: The gas all comes from Winnipeg?

Mr Brett: It goes right through.

Mr Hampton: The cheapest place to transport gas, one would think, would be right here to Kenora?

Mr Brett: You would think so.

Mr Hampton: So distance doesn’t explain the fact that your prices are more expensive than Clearwater Bay and more expensive than Vermilion Bay?

Mr Brett: In many cases in fact it’s the same truck.

Mr Hampton: Exactly the same truck that drops the gas. So in a nutshell, can I say that people in Kenora are infuriated about gas prices because any argument that’s trotted out to justify them doesn’t add up?

Mr Brett: Absolutely. It doesn’t make any sense.

Ms Schatkowsky: It doesn’t make any sense at all.

Mr Hampton: Then transportation doesn’t explain it. There’s no difference in the tax level between here and Vermilion Bay or here in Clearwater Bay? This is the largest market; you’d assume that you could actually get cheaper prices here.

Mr Hutchings: I sit on the gas committee and I just got a fax on Friday from the Competition Bureau. They were here last year doing a study and they found no evidence of any kind of price fixing. In their words, “It is because it is.” Now, we don’t know why it is.

Mr Hampton: Maybe the government members could advocate within their own caucus and have the government’s gas price review committee come to Kenora, and maybe go to another community like Sioux Lookout, because we’re very close to the refinery here—Winnipeg is only two hours away—yet there is no explanation for the differing prices that are being charged in this community and in four or five other communities.

Mr Brett: That’s correct.

The Chair: Thank you very much, Mr Hampton. I know why it is we have to go there, because we’ve got to keep on time. So I’ll go to the government side.

1100

Mr Doug Galt (Northumberland): It’s great to be in Kenora. It was just beautiful looking out the hotel window this morning across the lake with the hard water.

I’m curious. My children are older, and I don’t have any grandchildren yet, but just help me out a little bit. You’re talking about 14-and-under in Manitoba, and I understood children’s clothing was not taxed in Ontario. Is there an age line or does it have to do with a size?

Mr Brett: I can't speak to that issue specifically, because that came forward, but I can get back to you on that.

Mr Galt: Well, I can find that out, but I'm just more curious, being here. But you're telling me there is a differential anyway?

Mr Brett: I would say there is a differential on it.

Mr Galt: Just a quick comment in connection with your one recommendation as it relates to loggers versus those planting trees: What you're suggesting is an environmentally friendly activity, and I'm certainly empathetic to that concern and a push in that direction. I think that's just an excellent one that I was unaware of before. But congratulations on bringing an environmentally friendly one like that forward.

Certainly, when it comes to gas prices, there's no question we'll be taking it back and commenting to the task force.

You know, I travelled through here extensively in the summer of 1970, and it was hard to understand then the gas prices. So in 30 years I don't know that there's anything really new in the confusion of gas pricing, and it's sort of moving up in parallel. As I understand, your figures on the tax of gasoline are accurate. The only thing that moves up as the price of gas gets more expensive is the GST; the rest of them stay fixed on a per-litre basis.

Certainly gas pricing is very frustrating in southern Ontario, talking with truckers recently, particularly in diesel fuel. But it isn't just in Ontario; it's also in the US, up as high as, they were telling me, US\$1.99 per American gallon, which puts that very much in line with the price of diesel fuel here in Ontario. Don't get me wrong; I'm not trying to defend the petroleum companies, far be it from that. But it would appear that out of the Middle East there is a crisis going on.

As we talk about highways, one of the things to help balance this just a little bit is that in the south, such as in my riding in Northumberland, all of the provincial highways have been turned over to the local municipalities, except for the 401—it's the only one that runs through my riding that is supported by the province—whereas a lot of your main roads still are supported by the province in northern Ontario. So I do have some empathy. Hopefully our task force can come up with something that's helpful, but there are a lot of people pretty frustrated. The people in Kenora, I can assure you, are not the only ones really frustrated over the price of gasoline.

The Chair: With that, Mr Galt, I must bring your comments to an end because we've run out of time. On behalf of the committee, thank you very much for your presentation this morning. It was very informative.

MAYOR'S COMMUNITY COMMITTEE ON HOMELESSNESS

The Chair: The next presenter this morning is a committee on homelessness, the city of Kenora. Could the representative come forward, please, and state your name for the record.

Ms Sue Swaigen: Sue Swaigen.

The Chair: On behalf of the committee, welcome.

Ms Swaigen: Thank you. I'm speaking this morning on behalf of the mayor's community committee on homelessness. We're here today to ask you to listen very carefully to a pressing economic and social need of our city and the surrounding communities.

Kenora is a brand new city, and we have inherited all the forces which give rise to homelessness everywhere. Affordable housing stocks are drying up. Private-sector developers have not moved in to fill the gap. Affordable housing provided through the non-profit housing sector has undergone budget reductions continually over the past number of years. Changes to the Landlord and Tenant Act give landlords more discretionary power to determine who they will consider and who they will turn down, leading, we believe, to human rights violations. Vacancy rates have markedly declined over the past years. Psychiatric patients are expected to be cared for in the community. Social assistance rates and restrictions in eligibility to get both welfare and EI have meant that many formerly stable and working-class, working-poor families fall through these traditional safety nets into the street. Responsibility for affordable housing has devolved to the municipalities. Mental health reform means that the kinds and quality of care that were previously there are no longer there, and the response to homelessness has become crisis intervention and emergency services, jails and hospitals.

It's important to know that Kenora, a young city, just over a month old, is affected by all these factors; we're not unique in that regard. But we are unique in another regard, that in addition to all of the at-risk groups that are impacted by those factors—which are the addicted and mentally ill, the working poor and welfare families, abused women and children, disabled elderly and youth—we also have a very large, damaged and marginalized street population. This fact oftentimes and unfortunately is the first thing that comes to mind when people think of Kenora. We had a bit of flurry in the press around the election time. This issue is a sore point and continues to be a sore point with people in our area.

The provincial task force on homelessness was here in April 1998, and the chairperson, Mr Jack Carroll, reported to the press: "Kenora was certainly different than most small towns we visited. You have a particular issue with homeless people that is typical of a centre much larger and certainly not like a similarly small-sized town in southern Ontario. It's a complex issue for the community to deal with, and surrounding First Nations have to co-operate if it's to be remedied." He added, "I think Kenora's solution will be designed in Kenora's best interests, and the province has to support the community."

The chairperson also suggested that the final report may have to have a special section reserved for the unique problems in Kenora. "I don't know that there will not have to be another chapter that has to be written for Kenora. I sense that your problem is different. I leave

here with no more sense of what the answer is than when I came here."

Kenora is positioned as an economic, cultural, social and political centre, surrounded by 10 First Nations communities. When the traditional cultures eventually collapsed, under much ongoing strain in the last half century, Kenora became the receptacle for many First Nations persons who fell through the cracks when their communities began the long and arduous effort to re-structure. Kenora remains a destination for many persons who have "lost their connection to family, work, education, community and their personal support system." This is the definition of homelessness used by the provincial task force on homelessness.

I'll just stop there and make a point. It's important to understand that the definition of homelessness is not "not having a home." The definition of homelessness is "lost connection to family, work, education, community and their personal support system."

Kenora has been overwhelmed, frozen in ambivalence and indecision about how to address this community problem for some time. For political, historical and complex reasons, we have been unable to reach a community consensus. Our group, the mayor's community committee on homelessness, from the time it was struck in 1997, has had a long and troubled history, through a period of frustration and eventual dormancy, to now renewed resolve to doggedly study, understand, come together and act to fulfill our mission statement, which is: "To provide shelter for those in need of emergency accommodation in the Kenora area."

1110

Our problems are not going to go away by themselves. The Kenora Police Service recently reported in the local press, "A 30% increase in arrests of drunks projected—hostel called for by police chief and advisers."

We are a little city with big-city problems. We are a new city without big-city experience. We are a vigorous, responsible and generous city with hopes of creating a community free from the divisions that give rise to poverty, crime and despair. Mr Carroll, reflecting on his visit here, observed:

"This is the first community we've been to where the police have been involved in the discussion. Everywhere else they say it doesn't affect them, so I think we have a different problem here. Mental diseases seem to be less of an issue but substance abuse and more First Nations people are involved and that's apparent when you speak to police in this area."

Our local detoxification centre, of which I am the supervisor, sees admissions steadily increasing with, sadly, many new and younger faces showing up at the door.

The Honourable Claudette Bradshaw, Minister of Labour, who is responsible for the homeless, visited our community in July and heard from various interest groups in the community, including our committee. The text of our community committee submission to her is attached. We asked that the unique needs of this far-flung

northern constituency—extreme climate, long distances between communities and our disproportionate share of social problems—be taken into account when allocating federal money. We felt that Ms Bradshaw heard us.

Our committee envisions first and foremost a shelter for Kenora's homeless. This will be the first step towards the kind of compassionate intervention envisioned by Ms Bradshaw. She stated to the local press:

"The homeless are homeless for a reason. They have problems we can address. We need to offer them compassion and love. Housing and feeding are one thing but we must also provide support where it is needed most."

Kenora's position and problems are unique. This has been established. The shelter we require must be permanent, well-equipped, staffed and securely funded. It will be an intake point to help those on the street rebuild their lost connections. It will be a safe and comforting place where, with the help of staff and community volunteers, residents can begin to imagine a new life to construct the steps necessary to rebuild the connections. Advocacy and support will be provided to help each resident through the sometimes nightmarish maze of bureaucracy to access welfare, treatment, literacy training, job preparation, health care and eventually more stable housing. Once vulnerable citizens are safe, we will begin to work with the First Nations to help each resident strengthen their connections.

However, we recognize that the legacy of assimilation—the residential school heritage—racism and social chaos have produced some individuals for whom the shelter will become home—those souls who have lived on the margins of both cultures and truly cannot envision any connected future. These persons deserve and require care, respect, dignity and refuge. Our first commitment is to them. These are the persons to whom we truly owe a shelter as our basic human social contract. These are the persons who die on our streets, in police cells, accidentally or through acts of violence, sometimes self-inflicted. They must be kept safe.

We see our shelter as more than a roof and warmth. It will be a clearinghouse or entry point to our already well-established but uncoordinated and sometimes unresponsive social service delivery system. As Ms Bradshaw described it, "support where it's needed most."

Our committee has applied and we're waiting to hear from the Kenora District Services Board for a study grant—we've asked for \$20,000—to examine our unique situation and to find innovative ways to involve the broader community, especially the business sector, in planning. We will be vigorously pursuing any money that becomes available. The disproportionate number of seriously disadvantaged persons in Kenora is not going to change any time soon. We cannot deny or ignore this reality any longer. We have to accept that we do have big-city problems. We're ready to act. We require attention and responsiveness from our provincial government to work together in trust to help rebuild the social fibre of our community.

The community committee does commit itself to continue on with aftercare and support for people once they leave the shelter. We will be continuing to examine the factors in our community that continue to give rise to homelessness.

In conclusion, I want to say that Kenora, like many communities in the north, feels a deep sense of isolation, indifference and abandonment by the provincial government. We feel acutely that our reality is simply not understood or accounted for often in provincial decision-making. Our gasoline prices, cancellation of the spring bear hunt and abysmal health care are obvious examples. Sometimes it feels that our rights and our needs are simply not taken into account. Funding formulae applicable to Cobourg or Barrie simply do not apply here. Our sprawling geography and the special needs of our citizens mean that allocations to health care, transportation and education based on per capita calculations penalize us over and over again.

The savings which accrue to the government funders are now borne by the municipalities and Kenora suffers specifically under this formula. One of the initiatives identified by the social services minister announcing the \$100 million to help the homeless is "Supports to communities to allow innovative approaches to local homelessness issues with an emphasis on prevention."

We hope we have clearly outlined Kenora's needs and plans and our urgent need for "supports."

The cost of not addressing the issues of the homeless and disenfranchised in our community is resulting in higher policing costs; higher incarceration costs—up to 60 detainees in custody over a single weekend; escalating court costs; much higher utilization of emergency services at hospital; loss of civic pride, which impacts on our ability to aggressively market ourselves as a tourist destination; and, I believe most importantly, the discrediting of our community as one which fails to care for its most vulnerable. This causes entrenchment of exclusionary attitudes and results in an unhealthy and fractured community.

Economic health is vital to the development of any community; however, social health and stability is the foundation on which a healthy community is built. This social health and stability costs money.

In your deliberations regarding allocation of provincial dollars, we ask you again to listen very carefully to the Kenora area's needs.

The Chair: Thank you very much for your presentation. We have approximately four minutes per caucus. Mr Hampton.

Mr Hampton: Thank you very much. I want to ask you four specific questions. I understand that a number of the police chiefs, not just here in Kenora but in northwestern Ontario, have remarked that their holding cells are often taken up not by people who have engaged in criminal conduct but by people who are simply mentally ill and on the street or homeless and on the street. Is that a fair assessment?

Ms Swaigen: I couldn't speak for the other communities, but for Kenora, it's certainly a fair assessment, absolutely.

Mr Hampton: As I understand it, Lake of the Woods hospital is the one hospital west of Thunder Bay that has psychiatric services.

Ms Swaigen: For the north, yes.

Mr Hampton: So patients come to Kenora, Lake of the Woods hospital, from other communities across the northwest for those services.

Ms Swaigen: Yes. The Lake of the Woods District Hospital's area goes right up to James Bay, Hudson Bay.

1120

Mr Hampton: I understand as well that Kenora and Fort Frances are the two communities where most court hearings occur in terms of criminal law or quasi-criminal law. Incarcerated persons are brought here from elsewhere in this broad expanse, which covers over 30% of the province's geography. Is that true?

Ms Swaigen: I couldn't say that for sure. I don't know that for sure, but certainly the reports that appear in our newspaper indicate that court happens here for the whole district.

Mr Hampton: To your knowledge, someone who is brought here either for psychiatric services or to appear in court, what happens when they are released? Do they get transportation back to their local communities, or very often are they simply released on to the streets of Kenora?

Ms Swaigen: I can't really speak with authority on what happens when they come for treatment or for court and are discharged, but I can tell you that the facility that I supervise is the detox centre, and we are the detox centre for northwestern Ontario. There are many times that people leave our centre with absolutely no options. They have no money, they have no way of getting home and they have few supports, if any, in the city of Kenora. There is virtually nothing that can respond immediately to their needs. This is extremely painful for staff at the detox, to see people who are struggling and don't have the after-care supports they need, for sure.

Mr Hampton: I used to work in the court system and I know that people would often come here to Kenora for court hearings and then not have a way of getting home and would simply become part of the population who are poor and with no place to go.

I hear you making a plea for two things, I think, and I want to be sure of this: One, you are saying that because of the uniqueness of Kenora—people come here for health services, the justice system etc from all across the northwest—there has to be some kind of decent, financed hostel set up here, otherwise this simply becomes impossible.

Ms Swaigen: That's pretty much exactly what I'm saying. As I tried to outline in my presentation, because of the way we're positioned, it isn't going to be just formal reasons, to come to Kenora court or for medical treatment. Kenora is the urban centre. It's going to draw people who don't have connections in their communities.

That's just a fact of life. That's just what cities do. That's what Toronto does. Some 55% of the people in Toronto's hostels are not from Toronto. We just have to accept that this is a responsibility that Kenora is going to have to fulfill.

Mr Hampton: Do you think a hostel alone, though, is the answer?

Ms Swaigen: I think a hostel is the absolutely essential beginning. We have to start there, as I tried to say here, as an intake point, because we have to keep people safe, and then we have to start building the supports and making the connections with them and for them.

Mrs Tina R. Molinari (Thornhill): Thank you very much for your presentation. I have a few questions and some comments.

I noticed that your report stated that this is one area where Mr Jack Carroll said that the police have been involved, unlike other areas, and I guess it's because of the nature of the homelessness that is its cause, not mental diseases but substance abuse and others. Is there any community involved in any projects underway that would assist some of the people in difficulties of substance abuse to move away from that disability, for lack of a better word?

Ms Swaigen: Are you asking if there are substance abuse treatment programs?

Mrs Molinari: Yes, and what are they.

Ms Swaigen: First of all, I'd like to say that I think Mr Carroll made that comment in response to the police presentation to the committee. The police in Kenora take people they pick up on the street to the cells because they don't really have an option. We have a detox centre but our capacity is limited. They also take people who are intoxicated and in need of medical care to the hospital.

My statement is that it's difficult to deal in isolation with these factors that give rise to homelessness. Certainly mental illness and addiction are two of the big ones in this community, but there are so many other social problems that people have: They have lost the connection to their family; they don't feel welcome in their home community; they maybe don't have, or have been cut off, welfare; they don't have good work skills, job skills. So the future is very bleak, it's very dark, and a lot of people just don't know where to start. We're saying in this proposal that we want to at least give people a place—I think I made it clear—where they're welcome, they're comfortable, they're safe. Then, if we can engage and build on whatever motivation they have, we can connect to the broader social service delivery system.

Yes, we are a centre here for mental health services. There are several out-patient services that are offered in the community and through the hospital: addiction services, out-patients and the Challenge Club, which is a service for ex-psychiatric patients. We have a detox centre, which is attached to the hospital, that helps people recover from the immediate effects of intoxication. We also have a two-week pre-treatment program. There is a local First Nations treatment centre as well.

The Chair: You have one minute left.

Mrs Molinari: Then just briefly, the \$100 million that was announced by the social services minister to help homelessness, can you expand a little on how that was spent, where that money went?

Ms Swaigen: How it was spent? I think it's about to be spent.

Mrs Molinari: Then if you could talk about where it's going, what specific things have been targeted for improvement.

Ms Swaigen: My understanding—this may not be accurate; please correct me—is that \$60,000 was allocated to the Kenora-Rainy River district. Just this past year that was upped \$20,000 from the previous year. The previous year the shelter in Red Lake, which is basically a couple of Atco trailers that have been pulled together and have no beds and no kitchen and no shower and no washer or dryer—they're simply heated boxes to keep people from freezing, and that's commendable and I'm happy that they have it; it's more than we have—received \$10,000. The shelter in Sioux Lookout, which is of the same order, also received \$10,000. The fellowship centre here in Kenora, which is an outreach program of the Presbyterian church, received \$20,000 to keep their drop-in centre open 24 hours a day over the winter months. But you can't sleep there; it's just a drop-in.

Mr Kwinter: Do I understand that there are no shelter facilities for the homeless in Kenora?

Ms Swaigen: There are no shelter facilities for the homeless in Kenora.

Mr Kwinter: Now that you're the city of Kenora, is there any provision to provide one?

Ms Swaigen: That's why our committee is here today, to ask you in your deliberations to remember Kenora and to remember our unique needs and to understand that this kind of funding—\$40,000 for the whole of northwestern Ontario—is completely inadequate.

1130

Mr Kwinter: Throughout your presentation, and the report of the committee on homelessness with Mr Jack Carroll, you keep referring to the special needs. It's almost like a euphemism. I mean, let's call the problem what it is. You've got a unique problem because of people of the First Nations. It would seem to me that there has to be a coordinated effort, particularly with the federal government. They certainly have the ultimate responsibility for First Nations problems, and you would think that this is something they would be very much involved with other than just giving lip service to: "Yes, it's a problem. We're going to have to do something about it." Have you had any indication at all other than the minister coming and saying, "Yes, I understand there's a problem"? Are they doing anything about it?

Ms Swaigen: I think one of the reasons why something hasn't been done to address this issue in Kenora is that it's much more convenient for people to point their finger at another level of government—another First Nations government, city council, the provincial government or the federal government—and say: "It's your responsibility."

A good proportion of the people who are homeless in Kenora are First Nations, but a good proportion of the people who are poor in Kenora are First Nations as well. I don't really want to comment on who should be responsible or who has the lion's share of the responsibility. I believe the First Nations communities and governments are doing the absolute very best they can to address this issue in whatever way they can. Their first priority to their own community is providing housing and supports in their community.

What we're talking about here are people who have lost the connection to their community. These are the homeless. I guess our position as a committee is that we don't really want to say it's somebody else's responsibility, and I think it's kind of a specious argument. In my research and study and reading a million Web sites on this issue I came across that factor, that in Toronto 55% of the people in the hostels are not from Toronto. I think we have to accept and own that too. We're a city. We have to provide for the people who drift, shall we say.

Mr Kwinter: I'm not suggesting that we have to find one person to point the blame to, but it would seem to me that there has to be a shared responsibility. Certainly it would be the municipality, the province and the federal government, but it's got to be a shared responsibility. It can't be just pointing the finger at someone else. I'm not suggesting that, but I just feel that certainly the federal government should be very directly involved, along with the province and with the municipality.

Ms Swaigen: As a committee, we plan to apply for and lobby for whatever money we can and as much as we can to try and get this permanent shelter established. Right now we're talking to you because you're here. We will continue to talk to the federal government. Monies are coming. I don't know exactly how they're going to be allocated, but our purpose here today is to outline to you what our special circumstances are.

The Chair: On behalf of the committee, thank you very much for your presentation this morning.

TOWNSHIP OF EAR FALLS

The Chair: The next group is the representatives from the township of Ear Falls. Could you step forward and state your name for the record, please.

Mr Stan Leschuk: Good morning, Mr Chairman and panel members. We want to thank you for the opportunity to present our concerns today. My name is Stan Leschuk. I'm a councillor with the township of Ear Falls. I have my colleague here with me, Mr Geoff McClain, who is also a councillor.

I've been a councillor with the township of Ear Falls for the past 25 years or so. They usually call me one of the grand-daddies left in the Kenora district as a municipal politician. I've served on several boards and committees of council. Over the past years, I've taken a very active role in the economic development of our area. In my private life, I own and operate a Home Hardware store in Ear Falls.

Ear Falls is a small community with a population of approximately 1,500. We know how fragile the economic base of our remote communities can be. We have experienced the loss of our major industry with the closure of the Griffith mine in 1986 and the resulting loss of jobs, population and tax base. At that time, the mine was paying over 70% of our tax base, and we lost 500 jobs overnight with the stroke of the pen. We've had a tough time over the past 12 to 14 years to try and regain some of our economic development.

In 1998, a new sawmill was built in Ear Falls by Avnor, who are now Weyerhaeuser. Despite 140 new jobs in the mill and additional jobs in the harvesting and hauling of timber, the community has really seen little new development.

A new phenomenon has emerged in our area. People are travelling farther to work and shop, and this has implications for the entire makeup of the community. Daily trips of one and one-and-a-half hours are becoming a way of life and the four-hour trip to Winnipeg is becoming very commonplace. As a community, we are concerned about our ability to provide the basic needs of the community and its residents. Although people may work here, they live and shop elsewhere. While they are here, they expect emergency service, which are becoming more costly and difficult to provide. I hope to provide you with some insight into our concerns and perhaps offer some suggestions for your consideration this morning.

The topics I will be discussing include the municipal finance, health care, fuel prices, infrastructure works program and expanded highway policy.

We'll start with municipal finance. Our municipalities need some security in the area of provincial funding. The recent downloading has significantly increased costs in our responsibilities to manage services that once were delivered by the province. One has to only look at policing costs in northwestern Ontario. Although increased funding has presently offset these costs, there is a great fear that funding levels will be reduced and eventually eliminated. The speed at which the province has been able to change the basics of municipal relationships and the basic foundations of municipal financing over the last two years has left us with great concerns. From past experience with reassessments in our municipality, we knew of the many pitfalls that awaited hasty decisions. Look at the number of legislative changes and new regulations that were required mostly after the fact to deal with the implications that should have been anticipated on the changes.

I don't want to sound totally negative. Our municipality has fared well to date, I'm told, under the local services realignment and community reinvestment fund, but we must continue to look to the future. We ask the government: Maintain the community reinvestment funds. Without it, I fear there would be undue hardships on the taxpayers of especially small municipalities with no large commercial tax base. The 10-5-5 capping program is approaching its end. As municipalities prepare to meet

the challenges that will follow 10-5-5, we are becoming anxious to know what will be in place to succeed it. We are interested to know what the future holds for tax policy. Where are we heading with the tax ratios? I believe that municipalities will want to start to prepare for 2001 as soon as possible on these issues.

Next topic, health care. At our recent Kenora District Municipal Association convention held in Ear Falls this weekend, the issue was one of the major concerns of the assembled municipal leaders. It is also a major concern to Ear Falls residents who have over the past few years experienced life without a physician and reliable access to medical services. It is devastating to residents who require ongoing primary care and have to travel for medical attention where no taxi services exist, there is no public transportation between communities and a visit to a clinic requires a 140-kilometre round-trip bus trip and an overnight stay in a hotel.

1140

I am happy to say this morning that today we have a physician and an operating clinic with funding from the province under the community-sponsored contract. With me here today, as I said, is Councillor Geoff McClain, who is also chair of the Ear Falls Community Health Centre board. He would be most pleased to answer any questions concerning the health issues we're talking about this morning.

The health centre board is comprised of local community members who have a clear understanding of the health care needs of our residents. The health care centre is able to match the needs of the community. We currently offer both day and evening clinic hours, minimal wait time for appointments to see the doctor, professional nursing care and excellent linkage with other health care providers in our region. Our centre operates full-time on a budget of \$128,000, exclusive of the physician's salary, employing two full-time support staff for the physician, covering all of the overhead costs of the clinic, serving our population of 1,500 residents.

Although we are managing well with these resources, we need help to address some service gaps. We currently have no X-ray services but have the capability to offer the service if we had the operating dollars, about \$4,500 per year. Without X-ray services, our patients must travel the 70 kilometres to Red Lake for this service.

Another area of need involves physiotherapy services. Our population consists of workers involved in the forestry, mining and heavy equipment industries. These workers are prone to repetitive strain injuries and other workplace injuries which require regular physiotherapy. Patients are referred out of the community for such treatment, displacing them from work and creating economic hardships due to travel. Community-clinic-based physiotherapy services would greatly complement our health centre operations and save tax dollars.

We believe that we have the workings of a viable health care model for small rural communities like Ear Falls. We noted with great interest a recent article in the Thunder Bay Chronicle-Journal on Sunday, February 5,

2000. Liberal Lyn McLeod outlined a plan to address the physician shortage in northwestern Ontario. I do have a copy of that clipping at the back of the presentation. Appended to our submission, we have included copies of the newspaper clippings for your review.

An alliance of Ontario municipalities, chambers of commerce and rural and new physicians identified three key points in attracting and keeping these physicians in the north: Pay doctors a good salary; limit hours of work to a reasonable standard; and provide time off with coverage for the community, for the doctor to take vacation and professional development.

These ideas are not new. Our Ear Falls health centre adopted them over one year ago, with proven success. We've maintained over the years that that is what has to be done. We would invite the government to come to Ear Falls to witness at first hand a model of primary care service that works very well on a budget that is less than one quarter of some of the community health centres serving similar populations. We are successful, but we need the government's continued support in a partnership that continues to provide excellent health care services to Ear Falls residents.

Staying with the health care subject, I'd like to take a few moments of your time to talk about recruiting doctors and other health care professionals to the under-served, remote and northern communities. Ear Falls has participated in every doctor recruitment tour since its inception. These tours have cost the province a lot of money, and I am sorry to say I do not believe they have attracted many doctors to northern Ontario—and I've been on many of these recruitment tours over my 25 to 30 years as a member of the Ear Falls council.

I think we have to take a new approach to this problem. We are asking that more funding be made to medical schools for seats to be filled by northern students, along with fee assistance for the students who are willing to enter into agreements to work in the north for, say, five years. Failure to complete their agreed terms would require that these students repay their funds 100%. It is our view that this is one of the ways to have the new doctors coming back to the north. We have to groom our own.

We have to act now because it takes six or seven years before these new doctors come on stream. When we go through these doctor recruitment tours we're talking to first- or second-year medical students, and that's the last we see of them. I tell you it's an issue, and there's a problem that can be solved if we look at it from a really simple point of view.

Last year the University of Ottawa had 3,000 applicants for medical school. They interviewed 500, and approximately 80 were accepted into the medical program. I happen to follow this issue with interest, as last year my son made it to the waiting list. He wants to become a doctor, and I know that he would be glad to practise in the north and reach his dreams. Instead he's going through the process again this year, and if not accepted in Ontario or Canada, has acceptance in an

American university, and I'm sure that if he becomes a physician you won't see him back in Canada.

I read in the Thunder Bay Chronicle-Journal of Friday, February 3, 2000, that the training for radiation therapists will be transferred from Thunder Bay to Toronto. While the training was in Thunder Bay, it was found that these professionals were staying in the north. It is now being moved to where radiation therapists are in high demand. We agree with the city of Thunder Bay that this training should stay in the north. We need your support to get and keep training here, especially since it has proven to keep those professionals in the areas where they have been trained, in northern Ontario. Also, in the appendix in the copy that I sent to you, the director of the cancer treatment service certainly outlined that in his presentation.

Now we'll go on to fuel prices, and you've heard that this morning. We recognize that there is a special task force looking into the price of gas in Ontario. This body is not coming into this area so I am taking the liberty to note our concerns. We here in the north have the greatest distance to travel and are paying the highest prices. Fuel trucked through the area from the west is sold at lower prices east of us than it is here.

In short, we ask that the government consider equalized pricing at the least, to lay to rest once and for all the issue of price gouging. Nobody can seem to get a handle on why the prices fluctuate so much within a 100-kilometre distance. We believe that prices should actually be less here than further east. We hope that through the deliberations of the government and all the parties this can be seriously looked at and that they will try to equalize provincial gas pricing.

I was in the gas business a number of years ago. We would get a phone call at 8 o'clock in the morning saying, "Tomorrow morning your price is up 2.5 cents per litre." No reason for anything, just up, down, and as the retailer you just have to take your marching orders and do what you have to do.

I'd like to take a few moments now to talk about the infrastructure works program. The township of Ear Falls supports the reintroduction of an infrastructure works program. It makes good sense to us that funding be spread across the three levels of government.

Here in the north our costs are higher; most contractors are located a good distance from the communities. Maintenance of infrastructure already represents a good part of our operating budgets.

We must emphasize that municipalities must be given greater authority to develop projects within their priorities on the infrastructure program. We know that the weekend's meeting of the Kenora District Municipal Association supported a resolution to this effect, which I expect will make its way to the provincial government in due course.

1150

It is in the best interests of all governments to ensure that infrastructure is maintained in good condition. It's good for people and it's good for business.

The next item I'll touch on is the expanded highway policy. The Trans-Canada Highway through northern Ontario is deplorable when compared to its counterparts throughout the rest of Canada. Here it comes through some of the roughest terrain and weather conditions in all of Canada. All the other provinces have made tremendous strides to make their sections meet world-class standards. Ontario has made some strides in the right direction, but there is work to be done.

We recognize the great job that has been done to upgrade the highway over the past few years in this area, but this is just the first major work to be undertaken since the highway was first constructed.

We are aware that Ontario highway policy is presently not addressing any expansion. Ontario needs to develop highways into the north. This will help to promote economic development and create jobs for these regions.

We believe that Ontario has to work with the federal government to improve the Trans-Canada Highway and seriously consider a highway expansion program for northern Ontario.

In summary, the township of Ear Falls extends its appreciation to this standing committee for the opportunity to deliver these concerns here in Kenora today. We ask that you consider the issues we have raised.

We are concerned with municipal finance. We need to know what is happening to us in a timely manner.

Here in the northwest health care is a big issue, as it is elsewhere. We strongly believe that local health clinics offer one of the best opportunities to improve the health of our residents. These clinics can provide many services and reduce pressure on hospitals and ambulance services. More funding has to be directed to our clinics.

Fuel prices affect us as individuals, as businesses and as municipalities.

Our municipalities liked the infrastructure program and benefited from it greatly. We suggest that this type of program is good for everyone and efforts should be made to bring it forward, permitting municipalities to identify their priority projects.

The Trans-Canada Highway needs to be upgraded to North American standards as a national highway. Road expansion is needed in the north. The province needs to get the government of Canada to work with it in these efforts.

Again, on behalf of our mayor and the rest of council and the citizens, I thank you for the time that you've given me here this morning.

The Chair: Thank you very much for your presentation this morning. We have approximately three minutes per caucus, and I'll start with the government side.

Mr Arnott: Thank you for your presentation. It was excellent. I really appreciate hearing your views. You've been at this for a long time—you said 25 years—and it shows. The way you've gone about it is something that's very positive, and I think the government will take these concerns very seriously and work to address them.

You mention the community reinvestment fund, and it's my understanding that it's still the government's

intent to make that a continual ongoing program, a permanent program, in future years. Certainly that would be my expectation and hope for Waterloo-Wellington as well.

I'd like to ask you about the 10, 5 and 5 system of capping property taxes on business. What would you suggest the government do, since next year I guess the caps are off if we don't take action?

Mr Leschuk: I'm glad to hear from the government side that you would be looking at keeping that assistance in, because at that level—and I can only speak for Ear Falls—we only have one little major industry. We were able to try and keep those commercial taxes down with that 10, 5 and 5, and our fear was that if the extra funding wasn't there, we wouldn't be able to hold the taxes at a proper level. I think what you did on the 10, 5 and 5, after the readjustment with all the assessments, was a very wise move. When these new adjustments now will come into play, probably on next year's assessment where a lot of the homeowners' assessments will start to balance out, and those who were too low will start to come up and those that were too high will start to come down a little more, and we can bring down the commercial cost another few points, it makes it healthy not only for the community, the residents, but also to attract new industry. I am pleased to hear that the government would consider keeping that reinvestment fund going, because it is critical to a little community. Like I said, in 12 years we lost 70% of the tax base, and for 12 years we lived on crumbs to survive. It can keep our community well and alive. So thanks for your point.

Mr Galt: Do I still have some time?

The Chair: Quickly.

Mr Galt: Just one quick comment in connection with your son becoming a physician—and thank you for your presentation. We did have in our platform this last time around paying tuition for those going into medicine. Provided they go to an underserved area, such as the north, and stay there for five years, their tuition would be looked after.

Part of the problem of having enough physicians across Canada was a report that came out in 1992 to cut back on spaces. The government of Ontario at the time did so, probably a real mistake at the time. Not to beat up on the government of the day, the recommendation, as I understand, that we were going to have too many doctors, was across Canada. You can see today how wrong that report was.

Mr Leschuk: I am very pleased that you, as part of the government, see that. From my own experience, my friend from Thunder Bay had his son go to U of T, become a medical doctor, work two years and get offered a position in California—a great medical doctor lost, and he says he would never come back to Canada. Here we are: northern students educated here and going south. That's wrong. That has to stop. We don't all have to be Philadelphia lawyers to figure that one out.

The Chair: Thank you. Mr Kwinter.

Mr Kwinter: Thank you for your presentation. I want to touch on two issues you raised. One is health care and the other is highways.

I agree in theory with the idea of setting up clinics and paying doctors' salaries so you can attract them to a community like the township of Ear Falls, which has a population of 1,500.

The problem, from a practical point of view, for a young doctor or a doctor who is established, is to come to a community where there are really no support systems: no X-ray facilities and he has to go, you say, 60 or 80 kilometres to get an X-ray; no hospitals that have the kind of facilities most doctors would like to have access to, MRIs, CAT scans and things of that kind.

How do you address that? How do you make it a viable area for a doctor starting out, who wants to be able to practise medicine as he has been taught and to have all the resources that are normally available in the big centres? To me, that is one of the major problems we have.

Mr Leschuk: I would like Councillor Geoff McClain, who is the chairman of the health centre board, to address that.

Mr Geoff McClain: We look at places like Kenora and Thunder Bay as metropolises compared to Ear Falls. Looking at the new hospital in Thunder Bay, we're looking at the potential for expansion of training facilities in Thunder Bay, training some physicians in the north.

We are very successful when we have physicians who go on rotation through our communities. They actually get some on-the-ground experience and find out it's not such a bad thing to come to a community, deliver good-quality health care services and not have access to a lot of state-of-the-art technology. They have the experience of colleagues in the north who can provide good care.

Improvements to some of the communication linkages would be a real asset—telemedicine, videoconferencing for physicians to participate in remote training or consultation with other centres. We have a pilot project up in the Red Lake area, linking with an Ottawa hospital. Via video, they can zoom in to take a look at a skin condition, a medical condition and so on, and provide some assistance in diagnosis. So there are options there.

1200

In participating in the doctor recruitment tour, the main concern of potential graduates, of physicians coming to the north, was that they would be the only physician in the community; they would be burned out. That's why in our submission we've identified the need for release time, vacation time. Recognize that the doctor needs to do their laundry and take their kids to school and so on. We need good coverage, but we also accept the fact that we do live in the north and there are some things we just can't have. But in speaking with the physician recruits, their greatest concerns are not being the only person in that community but having access to the linkages to the other hospitals within the region that they can draw upon, and some technology input would certainly help.

Mr Hampton: Thank you for your comments. I want to ask first about health care. There have been about four studies that show that where health care workers, whether physicians or nurses or radiation therapists, are trained in northern Ontario, they are more likely to stay here, yet at the very time when we're experiencing shortages, the government is going to end the registered practical nurse training program here in Kenora and they're going to take the radiation therapist training program out of Thunder Bay. In your sense, is that going to help or hurt us, given what you know already from your experience in Ear Falls?

Mr Leschuk: Certainly, Howard, it's going to hurt us. As Geoff and I were saying, and from my own personal experience over the last 25 to 30 years going on recruitment tours, we just can't get the people who are trained in the south to come to the north. You have to look at the home-grown policy, take your home-grown students out of the north who want to go to the south to train and get educated but are willing to come back. That is basically the only answer that will work. We can throw a lot of dollars at the medical profession, but if that desire to stay and live in the north is not there, like Monte had said, and you have the burnout factor, you will not get them here for any dollars.

We're very fortunate that under the underserved program our doctor signed a contract. We made the schedule out with her as to the time off and the education training that she will take. We're so lucky that her husband is a dentist and he's set up practice in Ear Falls. We gave them a doctor's house at a very low rent to be one of the little perks. It's the lifestyle. We work directly with them: "You set out what your schedule has to be and we will work around it with the medical centre group." And it's working.

Mr Hampton: I know from other information that you have applied to the Ministry of Health to have a nurse practitioner. I wonder if you could tell us why you've applied to have a nurse practitioner, why that's important for your community.

Mr McClain: In the 30 years that we've had the health centre up and running in Ear Falls we've had 35 doctors. So you can see what's happening. There is a revolving door taking place. We made the application for the nurse practitioner because we recognized the necessary skills that a nurse practitioner would bring to providing primary health care, doing routine things such as MTO medicals, prescriptions for sore throats, that sort of thing, the things that are clogging up the rest of the health care system, at a much lower cost.

It is our belief that the nurse practitioner would provide greater continuity. We know that our doctor won't stay with us forever. We're always casting our radar out, looking into the future. If we lose our physician, we're back to zero. When we had our doctor sign the contract, our physician complement went up by 100%. With a nurse practitioner, it would provide us with at least base-level services. When we lose our doctor, the community-sponsored contract collapses and the clinic shuts down.

So with the nurse practitioner, we'd be able to maintain that continuity of service.

As yet, we haven't heard back from the Ministry of Health and Long-Term Care.

Mr Hampton: I note your recommendations for recruitment of physicians and other health care providers. Number one, you don't say, "Increase the fee-for-service"; you say, "Pay doctors a good salary," and then you point out, "Limit hours of work to a reasonable standard." So you've got a physician who's on salary?

Mr McClain: Yes.

Mr Hampton: If you add a nurse practitioner, will that help you limit the hours of work for your physician, so your physician isn't overworked and burned out?

Mr McClain: Very much so. The doctor's already giving us some feedback that she's pretty busy, but we're not at a population stage where we could return to having a two-physician complement, which we had actually given up to Red Lake a number of years ago.

Mr Hampton: So it's fair to say you'd like to see the province move very quickly on nurse practitioners, and you believe there's a future in paying physicians a salary rather than continuing on the fee-for-service road we've been on.

Mr McClain: Very much so.

The Chair: Gentlemen, on behalf of the committee, thank you very much for your presentation this morning.

Mr Leschuk: Thank you for your time and consideration.

The Chair: That completes our session for this morning. The committee will reconvene this afternoon at 1:30.

The committee recessed from 1207 to 1334.

NORTHWESTERN INDEPENDENT LIVING SERVICES

The Chair: Good afternoon, everyone. I'd like to bring the committee back to order. This afternoon our first presenters are representatives from Northwestern Independent Living Services. Could you please state your names for the record.

Ms Kristan Miclash: Kristan Miclash.

Mr Wayne Ficek: And Wayne Ficek.

The Chair: On behalf of the committee, welcome.

Ms Miclash: Good afternoon, Mr Chair and committee members. Northwestern Independent Living Services sincerely appreciates the opportunity to make this presentation today. Since 1985, NILS has been the provider of attendant care outreach services to persons with physical disabilities in the Kenora and Rainy River districts. The attendant care program assists consumers with all activities of daily living. Daily living activities are defined as those physical functions necessary for the management of one's own affairs. NILS also works in partnership with Kenora Municipal Non-Profit Housing and operates a supportive housing program.

Over the years we have seen an increasing need for attendant care services in the Kenora and Rainy River

districts. As you are aware, the attendant care programs are funded 100% by the Ministry of Health and the consumers we provide services to are long-term due to the nature of their disabilities.

One such disability that we're seeing is multiple sclerosis. There is a very high population of persons with this disability in our area, and as the disease progresses the need for attendant care services increases. This past year has been a perfect example.

The issues that NILS wants to address today are the following:

When a referral is received to provide attendant care outreach services to a new consumer, Northwestern Independent Living Services is unable to meet the need due to lack of dollars.

When an existing attendant care outreach consumer's needs increase due to their disability, NILS is again unable to meet these needs.

Within our supportive housing program, we are finding that it is necessary to enhance our hours due to increased consumer needs.

Last, we are an organization that is obligated under the Pay Equity Act, through the proxy method, to increase employee wages by 1% per year; yet we have been unsuccessful in securing annualized dollars to meet this obligation.

The focus of this government is to keep people at home. We recognize that there is not an unending supply of dollars. We've been successful so far in partnering with other agencies to temporarily alleviate the pressure. However, this is only a Band-Aid solution and does not address the issue of keeping people at home and out of long-term-care facilities.

We know that costs are greatly reduced by keeping people at home. The attendant care program keeps families together by offering flexible services in the home, which allows persons with physical disabilities to maintain a level of independence that, in turn, improves quality of life.

In closing, Northwestern independent Living Services appreciates the opportunity to speak on behalf of its consumer group. It is imperative that the attendant care outreach and supportive housing programs grow with the ever-increasing needs in order to provide the necessary support to persons with physical disabilities in the Kenora and Rainy River districts.

At this time, I'd like to—unless somebody has any questions. I've never done this before.

The Chair: We'll have some questions after, but if you have more of a presentation we'll undertake that right now and then we'll come back to questions.

Ms Michash: Sure, thank you.

Mr Ficke: In speaking for people with disabilities in the Kenora-Rainy River area, there are two points I'd like to identify for you which are unique to northwestern Ontario yet most likely universal when it comes to difficulties for people with disabilities.

The first, and one of the largest concerns or a concern that I heard the most, was dealing with transportation

issues. I would ask this committee to seriously consider contributing incentives or concessions to any transportation service provider, whether it be a bus line, a taxicab or any other means of transportation within the Kenora-Rainy River district.

Kenora, Dryden and Fort Frances all had accessible taxicabs in their communities at one time or another, yet all have ended in failure. The price of purchasing a new taxi van for transporting people with mobility impairments is in excess of \$45,000. Because people with disabilities represent approximately 15% of the general population in Ontario, it becomes difficult for advocates like myself to get a businessman to even consider the purchase of these vehicles when for the same price he or she could outfit three regular taxis.

I believe that it is the right of all persons to have equal access to public and private transportation, especially when one pays money for the service. However, it is also the businessman's right to try and make an honest living any way that he sees fit. If we don't try and alleviate the tremendous initial costs involved in purchasing accessible taxis, then I fear the transportation dilemma will continue.

Currently, our local Handi-Transit operates seven days a week in the Kenora area from 8 am to 8 pm. However, places like Dryden have no such service even available to them on weekends. Unless options are available, people with disabilities will continue to be isolated and will not have the option of getting out of the house or the apartment or the residential home without pretty well putting strain on friends and family.

1340

The second part I'd like to address to this committee is the Ontarians with Disabilities Act.

More than 1.5 million Ontarians, or 15% to 17% of our population, now have disabilities. A great number of people with disabilities are seniors, aging being one of the biggest causes of disability. Therefore, as the population ages the percentage of people with disabilities will increase. Seventy-seven percent of people surveyed across Canada knew someone with a disability close to them; therefore, disability is everyone's concern.

People with disabilities living in Ontario face many barriers that make it difficult for them to participate fully in all aspects of life in Ontario. While governments, business and others have taken steps to remove these barriers, many still remain. Even more are being created daily. Since the Ontarians with Disabilities Act Committee was formed well over three years ago, it has raised the awareness of both the public and governments about these barriers and the importance of removing them. The Ontarians with Disabilities Act Committee has also connected with hundreds of people with disabilities, their friends, families and organizations to ask for their views on the barriers they face and what it would mean to them to have them removed.

The Ontarians with Disabilities Act Committee is a voluntary, non-partisan coalition of individuals and community organizations concerned with the rights of

people with disabilities. The ODA committee came together to advocate for the prompt passage of a strong and effective new law that would lead to the achievement of a barrier-free Ontario for people with disabilities by the year 2000. Regional groups have been launched to encompass and reflect the local needs of the province. The group in Kenora that I'm involved with, Persons United for Self-Help, has kept Kenora and other small areas in our community informed and up to date on the issues as they unfold.

The thing I would like you to consider is that the cost of creating a barrier-free society for people with disabilities must be compared to the massive cost to society if existing barriers are permitted to stay and new ones are allowed to be created. The removal of existing barriers and the prevention of new ones does not just help these people with a disability; it also means the needs of those who acquire a disability in the future will be met, which includes most people in society.

The Chair: We have approximately seven minutes per caucus. Mr Kwinter.

Mr Kwinter: I'd like to get an idea on your attendant care. Unfortunately, I don't know the situation here, but I can only relate it to what happens in my riding, which is in Toronto. Many of my constituents are complaining that they used to get full-time care and they keep getting cut back. There isn't a realization or an awareness that they are disabled full-time, not just part-time, and that when that care is withdrawn from them they literally are, as you say, held prisoner and cannot do the things they want to. Do you have a similar experience here?

Ms Michlash: Yes. I think one of the key issues is that it's long-term. When you have somebody with a physical disability, whether you have somebody with multiple sclerosis, muscular dystrophy, a spinal cord injury, once someone requires services, it's not something that's going to necessarily improve or get better with time. When you have a disability such as—and I use multiple sclerosis because it is a fairly prevalent disability right now that we are seeing. With that disability it deteriorates over time. So what happens is you then have people who require services on an ongoing basis, long term, and when the dollars aren't there to enhance the service or if the services are cut back, then you're stuck at square one again. What do you do? Where does the person go? Yes, we're seeing that right now in the Kenora and Rainy River district.

Mr Kwinter: What happens with your transportation for the disabled? How is that provided now? Is that provided through commercial entities? Is it subsidized by Kenora, now that this is a city? Is the city involved?

Mr Ficek: In the past practice, the Handi-Transit has been funded by all three levels of government—federal, provincial and municipal. Although my understanding now is that federal and provincial dollars aren't available and it's up to the municipalities to continue to have that type of service running.

Kenora has been very lucky in that they have two wonderful people who drive the Handi-Transit who are

very committed to their job. They go above and beyond the call when it comes to transporting people door to door, yet the dollars just aren't there to continue to offer the service on a basis where it's needed. Right now our Handi-Transit only runs until 8 pm. It will stay open until 11 o'clock if they have, I believe, over five or six riders between 8 o'clock and 11 o'clock. Obviously it's not practical for them to pick up one person.

There was a cab service in Dryden, Fort Frances and Kenora, and for one reason or another they have not been able to continue operations—largely, from my experience, because I know at first hand for the cab stand that was in Kenora, the vehicles at \$50,000 apiece haven't lived up to how much they cost in order to keep them running. Right now with the D-409 package it's very stringent for pay in the transportation of people with mobility impairments, and the vehicles just haven't been able to stand up to it. What they're doing is cutting the floor of a brand new minivan, a Dodge product, and inserting a lower floor in it. Unfortunately, the structural integrity of the vehicle is being taken away. Unless we can get the manufacturer, like Chrysler, Dodge or Chevrolet, to build these vehicles right in the factory, we're going to continue to have these problems.

There was a wonderful subsidy available from the federal and provincial governments at one time for these vehicles, but unfortunately the only one doing any good out of it was the guy cutting the floors and putting these vehicles on the road. It was still costing \$50,000 to buy this vehicle, and if you got the subsidy from the federal and provincial governments to help, it was still costing you in excess of \$30,000, whereas you could go buy that brand new same minivan at a factory and pay a cash price for it and get it for less than that. It was costing way too much to be able to supply these vehicles.

Mr Kwinter: In the Kenora-Rainy River district, is Kenora the only municipality that's providing that service?

Mr Ficek: No, I believe Dryden does have a Handi-Transit available during the week. It works from 8 o'clock to 5 or 6 o'clock. There's no weekend service available. I know that Fort Frances has a Handi-Transit service, but there are criteria to be able to ride that. For someone with a disability that doesn't fall under the criteria of being able to ride the Handi-Transit, there's no such service that they could pay for to get a taxi to go downtown and remain in their chair. You can transfer into a vehicle, if you can do that, but for someone with limited arm function or limited mobility there's no such service in any of our communities now to access on an on-call basis, to pick up the phone and get a cab.

You have to book the Handi-Transit in Kenora 24 hours in advance and you have to cancel 12 hours in advance, if you can, before you're even eligible to be picked up. Then chances are they have to look at whether it's a work-related trip, a school trip or just a pleasure trip, and they prioritize work and school ahead of the person who wants to go to the shopping mall to get their groceries. You may want to go downtown at 8:30 in the

morning but are told you can't get a ride until 10:30, when all the people who have to go to school and work have been taken and delivered, and vice versa for getting picked up. If you want to get picked up at 4 o'clock, they may say, "I can pick you up at a quarter to three or I can pick you up at 5:30." That service of being able to just phone and get a ride doesn't exist in any of our communities that I'm aware of.

Mr Hampton: I wanted to ask some general questions first and then maybe get to some more specific ones.

I was in Red Lake last week, where they have 22 long-term-care beds in a new facility replacing the 22 that were in an old facility. The point made over and over again was that they have about 20 people on a waiting list and they're desperately in need of supportive housing to help look after people. If they are not able to find the supportive housing, it will mean moving people into long-term-care beds in Dryden or Kenora or Fort Frances or wherever.

1350

I was in Dryden, and you've got the new long-term-care beds that are being added there after about seven years of debate, but the concern is that there is a far greater need than will be met by those long-term-care beds, and in fact there is a pressing need for supportive housing. I was in Fort Frances, and again the complaint is made: "We need more supportive housing. Otherwise we're going to have a lot of people here we can't look after."

I guess my general question is this: Recognizing that allowing people or helping people to live independently through supportive housing or through the services that you provide is infinitely cheaper than more institutional beds, do you have a sense of what kind of investment needs to be made in supportive housing in Kenora, in Dryden, in Red Lake, in Fort Frances, and perhaps in Sioux Lookout? Do you have a sense of that, if we're going to maintain our people in the future?

Ms Miclash: It's interesting that you bring that up in terms of the length of time. We operate in partnership with non-profit housing, a supportive housing unit here, and we did have a proposal on the table for six years. The Ministry of Housing was able to put the building up, wheelchair-accessible apartments. At the same time, we had applied six years ago for on-site, 24-hour attendant care and the proposal was turned down. Last year we were finally successful in receiving new dollars from the Ministry of Health where we are now able to operate on-site, 24-hour attendant care. The cost of having one person in the building to provide on-site care for 13 apartments is \$150,000. When you take a look at having that one person there providing services to several people living in an apartment building throughout a 24-hour period, the cost is reduced greatly, as opposed to going into a long-term-care facility.

At this time there is actually a needs study being conducted in Fort Frances for supportive housing. I am also in Red Lake taking a look at the issues up there.

Again, we look at whether or not it's people with disabilities, is it seniors, is it aging in place? All those issues come into play when we're taking a look at dollars and who requires the service.

Mr Hampton: That \$150,000 essentially takes into account someone working—

Ms Miclash: On-site, 24 hours a day, one staff person throughout a seven-day period, 365 days of the year.

Mr Hampton: So three shifts during the week and possibly one shift on the weekend, or some other variety on the weekend?

Ms Miclash: Four staff: three full-time, one casual.

Mr Hampton: One part-time.

Ms Miclash: Yes.

Mr Hampton: If we're not able to get the province to see the need for supportive housing, do you have a sense of what that means in terms of more long-term-care beds?

Ms Miclash: I don't see it in terms of long-term—well, yes, I guess it would be in terms of long-term-care beds. I think what you're looking at then is that we get down more to the realistic issues of breaking up families and having somebody move into Thunder Bay or Winnipeg, out of this area. We've just had a person actually move from Red Lake who had multiple sclerosis. She was deteriorating to the point where her husband was no longer able to care for her over a 24-hour period. Had there been a unit set up there, she would have been able to stay at home or in her community and they may have been able to move together.

Therefore, in terms of numbers, no, I don't have any numbers off the top of my head, but if there aren't those options available to people in communities such as Red Lake, Fort Frances, Atikokan and Rainy River, then people are going to be moving out into other communities such as Kenora or Dryden.

Mr Hampton: I wanted to ask a question as a follow-up on the Handi-Transit. I'll speak just about Fort Frances for a minute. It's my impression that they actually had a more extensive handicapped transit system in place, but because of budget pressures and downloading of the costs they had to substantially reduce it. Has that been the experience elsewhere, and what has to happen to remedy this, in your view?

Mr Ficek: I think that's definitely a problem in that all three levels of government at one time contributed and now you're finding that it's being left on the municipalities to try to keep that service available, but we have to have alternative services besides just Handi-Transit service.

We need to have some type of legislation or something that will commit taxi companies to being able to offer service to 100% of the population. We now have approximately 21 taxi licences in Kenora. We don't need a 22nd licence, except on the month-end weekends, to be able to transport all the people in Kenora. To add another taxi licence isn't really the answer, unless it's an accessible service that can pick up everybody and be inclusive of everyone.

Nine times out of 10 in Kenora you can get a cab within five minutes, except on those month-end weekends and payday weekends when it becomes difficult, and then 100 cabs wouldn't be able to offer the service within five minutes. We have to offer some type of incentive to people to spend the money on these vehicles and to spend the money to keep them up, because without offering that type of service, people are stuck in the house and they can't get out. We need that type of service in all our communities.

The Chair: Thank you, Mr Hampton. The government side, Ms Molinari.

Mrs Molinari: Thank you very much for your presentation this afternoon. I'm interested very much in the comments that you made about keeping people at home and that the costs are in fact reduced. Aside from the money issue, I think keeping people at home with their families is bigger than just the dollars involved. I'm pleased to see the kinds of services that you offer for keeping families at home.

Would you say that in a specific situation, there are different levels of need for the disabled? Of course, there is a wide range of disabilities, so not all need the services to the extent that some more needy people would. With accessibility within the home, then people would be able to be more flexible and more independent, so putting these services in place would minimize the need for attendant care. Would you say that's a true fact?

Ms Miclash: Yes. It's also important to note that when you keep someone at home, if you have a family unit, a husband, wife, children, depending on which spouse is disabled, then the whole family contributes, thus also eliminating the need for increased attendant care. When you don't have all those services available to somebody in their own home, then you have to take a look at moving that person out of that home, whereas, if they're staying with their spouse and their children, the other family members can contribute by making the meals or by doing some of the housekeeping. Therefore, the number of attendant care hours needed in that home is greatly reduced.

Mrs Molinari: The intent then would be to move towards that to a much greater extent, where there are family supports within the home and thereby your association would be able to serve more of the population because you wouldn't be called upon as often as someone who doesn't have the family supports.

I have to say that I totally agree with a lot of the comments you made with respect to vehicle modifications. I have had a direct experience with vehicle modification. The only one that guarantees any modification to a vehicle is Ford. If it's a Ford vehicle where you can actually drop the floor, then the lift is guaranteed; the others are not. Then, with others like Chrysler and some of the other companies, they don't even guarantee the vehicle parts if you've modified it to the extent, if you could, to do that. That's definitely an area that we need to be looking further in and being able to provide more flexibility for those types of vehicle modifications.

They can only seat or fit one person in this Ford vehicle. The Handi-Transit that you talked about, is that for more than one individual? How many would you be able to get into a Handi-Transit?

1400

Mr Ficek: Our handi-bus here can hold four wheelchairs and three sitting people, but the taxicabs—I have no experience with the Ford but I know the Chrysler handi-van or the taxi that's available can seat up to three wheelchairs at once by removing the front seat, which is removable, plus it can hold two wheelchairs in the back as well as still have a bench seat in it for people to sit. That way it's more economical than running a large bus that would cost twice the gas money and twice the maintenance to run. I think the way of the future is going to the taxi-type vehicle or the smaller-sized vehicle just for economical reasons. I have no experience with the Ford vehicle. I wasn't aware that it could only hold one wheelchair at a time.

Mrs Molinari: It's more for personal use. It can only hold one scooter type of mobility device. Thank you very much. I'm going to leave some time for one of my colleagues.

Mr Galt: Thank you for your thoughtful presentation. I certainly have empathy. I have a building in Colborne. I wanted to put in a ramp into the building about 10 years ago and the council totally objected to having a ramp put in on the sidewalk, but steps were OK. Still, to this day, I don't understand what that council was thinking. Certainly that kind of thought process creates all kinds of difficulties for you.

I guess in a very non-partisan way, I'd like to ask you what went wrong with the disabilities act that was introduced about a year and a half, two years ago. My background is more science-technology. The disabled and that whole area is not something I'm all that familiar with. I knew we were bringing one in, and there was this protest in the galleries and the next thing the bill was withdrawn. I guess my thinking is that one step is better than no steps. We'll get one step today; we'll get two tomorrow. We'll get the second one today; we'll get a third one tomorrow. Do you have a comment? Do you feel comfortable commenting?

Mr Ficek: Yes, I do. Basically, what I can see with it and what I'm aware of is that the government virtually ignored all 11 points that were put down in black and white as to what we needed in the Ontario disabilities act. In the three-page legislation that Isabel Bassett introduced, not one of the 11 points was even considered.

Mr Galt: These were 11 points that you people had brought forward—

Mr Ficek: They were 11 points put through in a blueprint that had been given to the government. Time and time again David Lepofsky and a number of members of the ODA committee had tried to meet with Mr Harris and anyone who would listen and virtually weren't able to get anywhere. My understanding now is that process is again taking shape. They are planning on meetings, but the three-page ODA that they introduced virtually ignored all

11 points of the Ontarians with Disabilities Act Committee, which they said would need to have all or most of those points included to make it a strong and effective legislation.

Mr Galt: So this was brought forward to Derwyn Shea and the Honourable Isabel Bassett when they were touring the province during the consultation process.

The Chair: We're out of time. On behalf of the committee, thank you very much for your presentation this afternoon.

CITY OF KENORA

The Chair: Our next group this afternoon is the city of Kenora, the mayor's office. Could you please step forward and state your name for the record.

Mr David Canfield: Mayor David Canfield.

Mr Bill Preisentanz: Bill Preisentanz.

The Chair: Gentlemen, welcome.

Mr Canfield: Thank you very much for the privilege to make a presentation on behalf of the city and some of our concerned organizations and council. The first part of our presentation is dealing with recycling and the problem with recycling and the funding.

We've put together a letter from NORA, the North-west Ontario Recycling Association, which covers the Kenora and Rainy River districts. NORA's been in operation for 12 years. It now serves 17 municipalities, as well as First Nations, in the Kenora and Rainy River districts. Its program has gained in popularity over the years with the citizens of both districts. With more and more of the larger towns and cities now instituting bag-tag systems for landfill sites in each community, NORA trucks are picking up more and more recyclable material.

Since the Progressive Conservatives were elected to govern in Ontario in 1995, little financial assistance has been made available to help cover the costs of operating, nor for capital items such as trucks that are urgently in need of replacement. The only financial assistance was in the form of a cheque that was received in 1998 for \$34,641 through the contribution the Liquor Control Board of Ontario provided in recognition of the amount of their materials we handle. A similar amount was made available in 1999 and we trust will also be there this year as well. However, we anticipated that by now one-half of our operating costs would be covered by the Waste Diversion Organization. However, it appears that the Waste Diversion Organization will not provide any financial assistance this year. This is most unfortunate.

The attached draft budget for 2000 indicates that NORA expenditures for the year are to be \$783,915. However, this doesn't provide any money for the gradual replacement of the five trucks that NORA owns and operates. Some of these trucks have over 400,000 kilometres on them and are in constant need of repair.

NORA was counting greatly on the provincial government for financial assistance this year through the waste diversion plan, as was more or less promised by Minister Sterling in a letter dated March 24, 1999, to Mel

Fisher, the past chairman of NORA. However, in correspondence from the present Minister of the Environment Tony Clement and Mr Keith West, director of the ministry's waste management policy branch, it appears that financial help will not be coming this year; it is supposed to begin in the year 2001. Having to wait another year will create undue hardship on NORA and some municipalities may even choose to withdraw from NORA, which in turn creates more problems for the remaining municipalities.

Presently, we spend over \$100,000 on repairs for the five trucks, and we need to begin replacing the trucks in the year 2000. In order to do this, we need financial assistance from the provincial government. Last year, the various municipalities paid money, in addition to the \$8 per capita, in order to pay down the \$500,000 accumulated debt due partly to the provincial government withdrawing its help in 1995. As a result, the participating municipalities can't be asked to pay more than the \$8 per capita this year.

The participation of the provincial government in a large financial manner in the year 2000 is necessary to keep NORA operating. Your assistance is needed and will be greatly appreciated. NORA is a very worthwhile organization and all steps must be taken to ensure it continues.

I'll just add a few more statements on the recycling situation. As you know, not all of northwestern Ontario, and I'm sure not all of Ontario, has gotten involved in the blue box system. We have an area that covers a third of the provincial land mass and therefore it costs a lot more to run trucks up and down and around our gravel roads. It's come to the point where we can't afford to keep this service going, but we can't afford not to keep the service going, just for the impacts on the environment. We believe something has to come out of this.

Looking around, I've seen a few different possibilities. There are a couple in the provinces west of us. One of course is in Alberta, with the deposit return. In Manitoba I'm not exactly sure how it works, but I believe there's a two-cent levy on the manufacturers for each bottle or package. I understand, talking to people in Winnipeg, that with what they get from the recyclables and what the manufacturers pay them in this packaging fee, they actually break even or make money on their recycling program. I guess the unfortunate part about that is, right now they're only recycling about 14% of their recyclables in the city of Winnipeg while here we are now recycling well over 30% and deferring it from landfill. It appears that we're not being rewarded for doing a good job. I believe the government has to somehow come up with some more money or the manufacturers, the people who package the stuff, become responsible and pay the money so the average homeowner doesn't have to pay it on their tax bill.

The next item is winter tourism in northern Ontario. I understand there was a presentation made by the chamber and it will be somewhat similar to this presentation, although not the same.

1410

While winter tourism in Ontario has experienced unprecedented growth over the past seven years, this past winter has seen a significant drop in winter tourism revenues. This is due to several factors: The cost of a trail permit for local riders of \$120 to \$150 if purchased after December 1 or \$180 if purchased on the trail; the cost of a permit for visitors traveling on the trail system of \$25 for a day, \$85 for a seven-day permit; the lack of reciprocal agreements with Manitoba and Minnesota resulting in out-of-province riders needing to purchase an Ontario Federation of Snowmobile Club permit; the advent of trail wardens intimidating riders without valid permits.

All of the resorts offering winter tourism services have experienced dwindling revenues due to decreased out-of-province ridership on the trails. As well, local and regional travel is down too, as many riders have refused to purchase permits. Much of the decline can be attributed to the strict policy of the Ontario Federation of Snowmobile Clubs which does not give local clubs the flexibility to deal with issues such as reciprocal agreements, permits prices and enforcement procedures.

Some solutions have been suggested in order that this trend be altered and some preliminary ideas in this regard are:

Provincial legislation requiring mandatory permits. If all sleds were required to have a permit then the permit fee could be reduced substantially. I understand by listening to the radio that the Chamber of Commerce—I believe the way they addressed it was mandatory registration, and this would go 90% back into the trails. I understand that in Manitoba the registration they pay every year goes directly into their trail permits which, of course, cuts down the cost of the trail permit. I believe a trail permit there is around \$40 or \$50, where we are about three times that here.

Provincial funding for trail maintenance. The industry would support a room tax for trail development and maintenance of a province-wide trail system; the creation of a family permit to make registering more than one snowmobile more affordable to traveling families; providing trail funding directly to the local clubs instead of the OFSC—one size does not fit all, especially in northwestern Ontario.

It is hoped that the province will address this issue immediately as the tourism industry in northern Ontario needs to continue to build on the economic growth so evident over the past seven years.

Again, to add to that, because of our close proximity to Manitoba and Minnesota, being only 30 miles from the Manitoba border and about 40 or 50 from the Minnesota border on the Lake of the Woods, we do get a lot of tourism coming in this direction. Because of some probably overzealous coffee shop talk and things that have happened, there was a front-page article in the Free Press a few weeks ago telling Manitoba snowmobilers that they weren't wanted in Ontario. So although this doesn't seem like a serious situation in southern or central Ontario, in this part of Ontario it is a very serious problem. As I said

earlier, one size doesn't fit all and somehow Queen's Park is going to have wake up and understand that one size does not fit all.

Another problem in the north, and I understand, listening to the news, that it's a little bit of a problem across the country and in the south, is our gasoline pricing. There has been a long-standing disparity in gasoline prices between northern Ontario and the rest of Ontario for years. Despite the best intentions of local business, special committees and previous provincial governments, this situation remains unchanged today.

The reality is that gasoline prices are controlled at the refinery market level by the major oil companies and in spite of our best intentions, gasoline prices as a whole disregard competition.

Kenora has historically been faced with higher than normal fuel prices, putting this area at a disadvantage in commercial and tourism opportunities. In fact, last week Kenora had the distinction of the second-highest gas prices in the country.

For the information of this committee, here are some facts on gas pricing in northwestern Ontario: The current price of gasoline in Kenora is 73.9 cents a litre; the current price of gasoline in Dryden is 65 to 68 cents a litre; the current price of gasoline on the Manitoba border is 60.5 cents a litre; the cost to haul fuel is approximately one cent a litre; the gasoline refinery is located in Winnipeg, and the Manitoba provincial gas tax is 3.2 cents a litre lower than Ontario.

On the gas tax, I will make a suggestion, especially for your next budget, and the fact that we have a 3.2-cent difference. I'm suggesting that we do have a serious problem with the oil companies and price fixing or gouging, however you want to put it. We also have a problem with an unlevel playing field. I would like to suggest to the government that if you plan on cutting taxes again in the future, instead of cutting income tax, you cut the gas tax so that we're at least on a level playing field. As it is with a 3.2% difference, that puts our small businesses in this community at an awful disadvantage, not only the small businesses but the people travelling. We don't have a transit system up here. We all have to own cars. We have long distances to travel to get back and forth to work. Realistically, a gas tax cut up here would fix it a lot better for us. Again, this could be a "one size doesn't fit all," because Toronto has a fantastic transit system, and a lot of other cities in Ontario do. We do not have a transit system—it doesn't make sense because of our great distances—so we'd really appreciate your putting gas tax as a priority for tax reduction in the future.

This disparity in gas prices is affecting Kenora and its ability to compete for the commercial and tourist traffic. Given Kenora's location and proximity to the Manitoba border and the Trans-Canada Highway, we are missing economic opportunities. Tourism has become one of Kenora's main industries, with an estimated summer population of 60,000 residents. In addition, there were approximately 30,000 visitors who made direct contact

with our tourism centre in Kenora and a further 13,000 requests for information. A majority of these tourists drive to Kenora. Furthermore, approximately 93,000 adult tourists visited the remote tourism establishments of northwestern Ontario.

I am aware that the provincial government has established a task force and is undertaking an investigation into the fairness of fuel pricing in Ontario. I am also aware that this task force will only be meeting as far west as Thunder Bay. I would suggest that any recommendations and final actions arising from this task force are not to be expected in the foreseeable future.

Recommendation: As a viable and practical step, we would recommend that the provincial government reduce the provincial gas tax in Ontario to the same level as Manitoba, thereby leveling the playing field on the tax side of the equation.

To add to that, in 1986 I went out to Expo '86 in Vancouver. I was quite proud when I went into the Ontario pavilion because I thought that the Ontario pavilion was one of the premier pavilions in the world for Expo '86. The problem was, sitting through the show in the Ontario pavilion, again the province of Ontario ended at Thunder Bay, and we would really like you to extend it to Kenora.

The Chair: Does that complete your presentation?

Mr Canfield: One more.

The next one is on the Canada-Ontario infrastructure program. Municipalities attending the Kenora District Municipal Association conference were advised by cabinet Minister Robert Nault of the federal government initiative to introduce an infrastructure program. Previous Canada-Ontario infrastructure programs have been very successful in leveraging funding for needy municipal capital projects. Municipalities with aging infrastructure have limited access to the provincial funding for water and sewer infrastructure funding and there is no funding for roads or other municipal capital projects. We strongly urge the provincial government to participate in this new initiative, given its past success.

On the infrastructure, I would like to add that I understand from the leak, as the federal government does it now on their budgets, that it's going to a one third, one third, one third. I would like to make a suggestion to the government that it be 50-50; that each level of government put in 50-50 for 100% funding, and if we so choose, or can afford it, that we top the funding up out of municipal revenues, if that's possible. The reason I say that is in the last probably 10 years—I know in the eight and a half years that I've been in municipal politics, transfer payments have been cut over all those years. We have had highways downloaded.

In my former community of Jeffray Melick, we topped the provincial list at a 33% increase to our highway system. We used to do all our major maintenance with supplementary funding that used to be put out years ago that has also dried up. That was the only way we could do any major capital work to our highways. We also enjoyed the 90-10 relationship with connecting links and bridges. That has also changed where it's a 100% cost. So if we

don't get infrastructure money, our infrastructure will eventually crumble and fall apart.

My last subject is the crisis in health care. Throughout the province the committee is undoubtedly hearing the message of the crisis in the health care system and municipalities are hearing loud and clear from their citizens. We are now finding ourselves, as municipalities, involved in their health crises.

1420

We had hoped to get a lot more information on health care and some facts and figures. We didn't have that opportunity as we were pressed for time in getting this together. With everything that's been going on, and as a new city, we were kind of working 24 hours a day, and our administrator is getting a little tired. But again, this is a situation where one size doesn't fit all. Some of you might know, and others wouldn't, that the Kenora district hospital is a district hospital and services a very large area all the way up to Fort Severn and Hudson Bay, one third of the provincial land mass. It serves a lot of northern native communities. This hospital has been strapped, and working hard to try and keep functioning and keep services going while at the same time running an annual deficit.

In some discussions with health care professionals in our community, we found that they've done just about everything there is. I think in audits they found that the hospital here is run extremely efficiently. At the same time the cuts have happened throughout the years. I'm not blaming the provincial government. As we know, this all started with federal transfer payment cuts to the provincial government. The bottom line is that between the two upper levels of government it has to be fixed. I'm sure you have heard this right across the province. It is in a crisis situation.

I do want to compliment the committee for coming here and for realizing that Thunder Bay wasn't the end of Ontario. We just hope you can continue with other committees and make sure that Kenora doesn't fall off the map, because we're going to be growing rapidly and we will be in the news a lot and we expect to see a lot more of you.

The Chair: Thank you very much. We have approximately three and a half minutes per caucus.

Mr Hampton: Thanks very much, Mayor Canfield. I want to focus for a minute on the tourism issue because some of the government members and I had a discussion over lunch hour about this. I'm struck by your comment, first, that winter tourism is a growth industry and one that has grown rather significantly in the last seven years. So it's an important industry for this part of the province, is that right?

Mr Canfield: That's right.

Mr Hampton: Your comment, "Much of the decline can be attributed to the strict policies of the Ontario Federation of Snowmobile Clubs, which does not give the local clubs the flexibility to deal with issues such as reciprocity, permit prices and enforcement procedures," is this another case of one size fits all?

Mr Canfield: One size doesn't fit all.

Mr Hampton: Your recommendation that instead of simply providing funding directly to the OFC, the government actually look at working with local clubs and local organizations, because the challenge in Sudbury may be different from the challenge in Kenora or the challenge, let us say, in the Ottawa Valley may be different from the challenge in Dryden or Ear Falls, do I hear you saying that there is a solution to this if the government's willing to work with local communities?

Mr Canfield: I believe there is. Some of the points come here from input from different organizations. The reality is, a club in North Bay or Sudbury, as you said, is totally different from a club here because of the topography of the land and a lot of different issues.

I don't think this is a really easy one to sort out but I do believe you're not going to please everybody on this. I'll tell you that right up front. We can't afford having tourists turn around at the border and go home because of the trail permit agreements. At the same time, by no means do I want our volunteers and our clubs here to feel the pressure they're getting, because they're doing a very good job and we much respect that. The problem is that it's not working.

I don't know if it works in southern Ontario, I don't much care, and I don't think they much care if it works here, but we do care if it works here because this is our revenue line. Tourist camps have opened in the winter-time because they just couldn't quite make it on summer tourism any more. It was an opportunity and it's been building rapidly. We have to have something that will work here, and it might not be the same thing that works in southern or central Ontario.

Mr Hampton: I want to ask you just one question about gasoline prices. Again, we had a chance to talk about this. My understanding is all of the gasoline comes from Winnipeg.

Mr Canfield: That's right.

Mr Hampton: And there aren't significant transportation costs to bring that gasoline two hours from Winnipeg.

Mr Canfield: One cent a litre.

Mr Hampton: Is there any way to account for the fact that if you go 18 kilometres west of here to Clearwater Bay the price of gas is cheaper, or if you go 60 kilometres east of here to Vermilion Bay the price of gas is cheaper, and yet both of those communities are significantly smaller than Kenora? Is there any way to account for that, in your view?

Mr Canfield: We can't figure it out. The only way we can account for it is strictly through the oil companies. To give you an example, approximately five years ago, when the price of oil was up around \$29 or \$30 a barrel, before it started dropping, the price of gas in Toronto was 66.9 cents. I believe home heating fuel was around 38 cents or 41 cents at the peak. I'm not sure, I didn't check what the price of a barrel of oil was today but it has been hovering around the \$27 or \$28 mark, yet our gasoline is now 73.9 cents and home heating fuel is 47.9 cents. If

anybody can make any sense of that, I'd sure like to find out how.

Mr Hampton: I take it you would urge the government to send the gas pricing task force to communities like Kenora, Red Lake, Sioux Lookout, Pickle Lake. Perhaps the committee can make some sense of the wild disparity in prices.

Mr Canfield: Definitely. We'd like to have them come to as many communities in northwestern Ontario as possible. The scary part of this, and correct me if I'm wrong, is that the provincial government has a task force and the federal government has a task force. Maybe these two task forces had better get together so at the end of the day they can quit passing the buck back and forth on whose decision it is to regulate it. I think an amalgamation of the task forces, provincial and federal, might help out.

Mr Galt: Thank you, Your Worship, for your presentation. I just have a couple of comments in connection with recycling etc. When that all started out and the grants for that, it was a start-up for X number of years, tapering down, certainly moving in the direction of the Waste Diversion Organization as a carrot approach versus the stick approach. I was unaware of the slippage that you've just told us is in here. I was with Norm Sterling as the PA for environment and was quite enthused with the Waste Diversion Organization. It seemed like it was heading in the right direction but it looks like a bit of time slippage there.

I want to quickly ask you a couple of questions, one relating to the 3.2-cent difference in Manitoba versus Ontario. If that was changed, we'll say for northern Ontario—in southern Ontario it isn't going to make much difference as it relates to across the border—what would that create job-wise? It must be having an effect on jobs now. Do you have any gut feeling as to what that might be in jobs?

Mr Canfield: I don't have a real gut feeling what it might be in jobs. I do have a gut feeling on what it's going to do to the existing jobs. It's definitely going to hurt the small businessman, the truckers who are hauling wood. I'm sure that Abitibi Consolidated and Weyerhaeuser and the other companies are not going to come up with more money for a cord of wood because of this increase in gas and fuel that we've just seen recently. This is why I say it's a twofold problem. Hopefully we can get the 3.2 cents back down to the same level as Manitoba. The government has bragged about having the lowest provincial income tax. We respect that. We'd also like them to be able to brag about having the lowest, or at least a comparable, gas tax.

It's really hard to give a number in jobs. You're not going to see a lot of growth, I don't believe, in the leisure industry. That's a big industry up here. What's the first thing you're going to quit running when you don't have the money to run it? It's probably your snow machine or your Sea-Doo or your boat and motor as opposed to your car, because you have to get back and forth to work. I'd

be afraid of a recessionary trend as opposed to trying to guess on jobs.

Mr Galt: Jumping to tourism, I'm still not clear. I think you are about the third one in who has talked about these trails. The permit fee—this is over and above licensing of the vehicle—goes to the provincial snowmobile association? Is that where that fee is going, rather than to the local ones, and then they look after the trail? I don't have it clear. Who requires them to pay that? Could you just walk me through that at the Dick and Jane level?

Mr Canfield: I understand that \$25 goes to OFSC and the rest remains local.

Mr Galt: Who says it has to be \$150?

Mr Canfield: The OFSC dictates what the price will be.

Mr Galt: But they only get \$25 of it and the rest of it comes locally.

Mr Canfield: That's right.

Mr Galt: So this extra money, when it's that high versus Manitoba and the other provinces, the other states, really comes to the local association. Can't the local association say to the provincial organization, "Hey, get your fee down so we're competitive"?

Mr Canfield: I understand, with some discussions, they've tried to do that. You have to understand that it's little brother up against Big Brother. You don't have the numbers here to change democracy. I strongly believe in democracy. That's why I keep going back to the phrase that one size does not fit all.

Mr Galt: Is it \$150 for all trails in Ontario?

Mr Canfield: That's what I understand.

Mr Galt: So in southern Ontario that's what you pay to take your Ski-Doo and run it on one of the trails down there as well.

Mr Canfield: That's right.

The Chair: Ms Molinari, you have one minute.

Mrs Molinari: It's a quick question. First of all, thank you for your presentation. The question on the gas tax—part of the challenge of this government when we're reducing taxes is to make sure that savings is directly to the taxpayer. Do you have any ideas on how, in reducing that gas tax, we would ensure that the saving would be directed to the taxpayer? We can talk about regulating the gas prices, and we're looking forward to the report the task force is coming out with on that, but will that go directly to the taxpayer or will that just be another increase that the oil companies will take?

1430

Mr Canfield: I guess that's the cop-out. Mr Nault used the same one on me, and you're probably going to get the same answer—maybe not quite as rough; we were in private. In my mind, that's a cop-out by any government. The government has to get control of this situation. They have to regulate or they have to bring some kind of rules of whatever that the gas companies have to follow. Let's take care of our backyard and do what has to be done with the gas companies.

You asked, how do I feel this will go directly back to the individual? An individual making \$10,000 or \$20,000

a year probably doesn't pay any provincial tax today, so a provincial tax cut is going to help me at my income level, but it's not going to do anything for the person with a low income anyway. Most of these people in this part of the country have to own and drive a car to get back and forth to work, and that kills them. When you're making \$10,000 or \$15,000 or \$20,000 a year, can you imagine driving a car 10 or 15 miles to work every day at 73.9 cents a litre?

Mrs Molinari: But if it's not—

The Chair: We're out of time, Mrs Molinari. I have to go to Mr Kwinter.

Mr Kwinter: Mr Mayor, are you in a position to discuss the budget of NORA, Mr Brown's budget?

Mr Canfield: I can try.

Mr Kwinter: I don't want to put you at a disadvantage, because I know it isn't your presentation. You were just doing it on his behalf.

Mr Canfield: That's right.

Mr Kwinter: The question I ask is, if you look at it, you'll see that the only government participation is the \$34,641 that is really the LCBO contribution, which is in order to look after the materials the LCBO generates. When I look through the correspondence with Mr Sterling, he was saying that they were looking to fund up to 50% to encourage municipalities to get involved with the blue box program. You're telling me that Kenora is involved in that program.

Mr Canfield: We're very heavily involved in the program. In fact, at the end of last year the then town of Kenora implemented a bag tag, which has doubled or tripled the amount of material going into the blue box system. I believe that is the right track. In fact, my goal eventually—if I'm around long enough—is to get into 100% recycling. We're doing the right thing, at our cost.

Mr Kwinter: So the proposed budget for the period ended December 31, 2000, shows a break-even, which includes the \$34,641 coming as a result of the LCBO. They were promised a 50% contribution. They haven't got it yet, and the then minister—I don't know whether there's been a confirmation with the new minister—said it would be in 2000; then he said it's going to be delayed; now he's saying it's going to be 2001. Other than the capital requirement that Mr Brown seems to ask for for the replacement of the five trucks, he seems to be running on a break-even basis. My concern is that as long as he keeps putting forward these budgets, the government is going to say, "They're asking for money but they seem to be doing fine. They seem to be operating and they're not incurring any debt because it's picked up by the municipal contribution of \$8 and all of the other things they're getting." How do you address that?

Mr Canfield: I believe—and I'd have to relate this to Bill—it costs the new city of Kenora about \$180,000 a year to be part of the blue box system, which we didn't have to pay at one time and which we now have to pay, along with other transfers of highways and connecting links, as I stated before. We've jumped through all the hoops. We've amalgamated; we've found efficiencies.

But we're getting to the point where we're getting strained. I believe there's an answer here, and I'm not necessarily saying it's with the government. Maybe we should be putting this back in the hands of the manufacturers. Maybe a system like Manitoba's or Alberta's is a better system. I believe that the people who manufacture these goods should be responsible for these goods.

Mr Kwinter: Have you had any discussions with industry about that?

Mr Canfield: I've read quite a bit of the stuff. I haven't been on the NORA board over the last few years and I'm not as up on it, but I do read all my material and try to keep up on it a bit. No, we haven't, but that would come, I imagine, from the provincial government, from legislation forcing them to be responsible for their packaging.

The Chair: We've used all of your time. On behalf of the committee, thank you very much for your presentation this afternoon.

ONTARIO SECONDARY SCHOOL TEACHERS' FEDERATION, DISTRICT 5A

The Chair: Our next presenter this afternoon is the Ontario Secondary School Teachers' Federation, district 5A, Northern Shield. Could you please step forward and state your name for the record.

Mr Dave Rhind: My name is Dave Rhind, president of district 5A, Northern Shield.

The Chair: On behalf of the committee, welcome.

Mr Rhind: Thank you for the opportunity to make a presentation. Much of what I am going to say actually comes from my staff. I represent secondary teachers in Dryden, Kenora, Red Lake and Ignace. We basically are a very large board, 100,000 square kilometres, so we don't have much chance to get together. I asked them for their comments on this, and they sent me some material. What I am going to try to do is to show the extent of the problem being faced by education in the north, due partially to budget restraints and what we consider to be a fairly inflexible funding formula which has been used to cut hundreds of millions of dollars from education.

Currently schools in my board are being run on a shoestring. That's the comment that comes up from many teachers. The philosophy apparently is to get only the bare necessities; in other words, it's a make-do attitude. As a result, out-of-date texts are not being replaced and some classes are using different editions of the same textbook. I have an example in senior biology in my high school of Beaver Brae in Kenora, which has two different editions because they don't have sufficient of either one for the students. Senior math classes in Dryden don't have enough texts for their current class numbers, forcing the teacher to either photocopy or have students share texts or in some way make do.

Special-needs facilities in my school are woefully inadequate, especially to service the severe-disability students, who have very specific needs with regard to lunch, bathroom facilities, toileting and extra care. Due to the

age of many of our high schools, major renovations are required to adapt current rooms to handle these students. Unfortunately, money for these renovations is almost nonexistent and has to come out of some other budget, if we can find it.

The lack of resources due to budget constraints has led to some interesting dilemmas. For example, the science department at my school, Beaver Brae, has \$15,000 worth of computer-based labs, purchased using a special federal fund for that, but they can't afford to purchase the hardware necessary. They have one computer in the entire department that will run these programs. They can't afford to buy more and still buy the necessary supplies for classroom instruction.

Not only have resources for the classroom been cut back, but the current funding model has put a serious strain on the adequate education of special-needs students. At present, we have a lot of special-needs students coming in from northern schools and remote communities; they require very specialized programming and often one-on-one workers. Unfortunately the current special-needs funding does not get transferred with the students, and so our resources are being stretched to the limit due to the funding crunch.

One of the problems I found out today is that the new special-education funding is with the program, not the student, so you have to establish in May of the previous year what you believe your requirements will be for the following year. In our case, if we get students coming in from remote communities and northern reserves who require special ed, we don't get the dollars, because we didn't know about it the previous May, and they show up in September.

It is not uncommon now to have classes of 22 or more students—and this is especially true in our computer labs—with up to five special-needs students and no teacher's aide, our support personnel to assist the classroom teacher. This is at a time when curriculums are being revamped and made harder and changes are being introduced at all times.

1440

The reality of small northern schools is that we've always had a difficult time offering the wide range of class options available in the larger southern schools. This difficulty has become a serious problem with the current education funding model inadequately recognizing the costs in providing choice for students in a small school. Split-grade classes, such as 11-12 or 9-10, as well as mixed levels of difficulty, academic and applied together, are the norm for many of the optional subjects. We are seeing more of these classes than ever before. I have an example of a teacher last semester who had a grade 11 class with a basic-advanced split. He had to teach both with no support personnel for his special-needs students who were in that class.

An ongoing concern to many teachers in the north has been the cutback in professional development opportunities at the same time as curriculums are changing, technology is changing and the demands on teachers are

increasing at a rapid pace. PD days have been cut in half—they actually have gone from nine down to four—and the dollars available have also been reduced. Sending even one person to a conference in Toronto costs a minimum of \$1,500, as you know if you had to fly up here. No business introduces new equipment or new technology into the workplace without substantial in-service. Unfortunately, teachers in the north are not receiving enough of this training and development.

Not only have we seen a cut in the actual dollars being spent in instruction in the classroom, but extracurricular funding has also been drastically curtailed in the past four years. In fact, extracurricular has been removed from the funding formula. It has been well documented that a good secondary program must also include opportunity for participation in sports, drama and music, as well as field trips to museums, theaters, plays and other productions. Unfortunately, the reality of life in this part of the province is distance, and today distance equals higher costs. The province's funding model does not adequately take into account the facts of life for northern students. As costs for the extras keep mounting, more and more students are prevented from participating fully in their secondary school programs.

An example of the burden higher costs are placing on local schools and ultimately the students is the recent increase in bus rates from the local bus company, Excel. I phoned them a couple of days ago to find out exactly what it costs to transport students. These are just two I took out of what they sent me: A round trip to Dryden, which is our closest neighbor that we participate with in terms of extracurricular sports and other activities, was \$395.85 as of last November, and just last week it changed to \$553.20, plus GST, and that does not include overnight; to Winnipeg, which is where we often go for drama productions, museums, theatres, musicals, it's \$992.50, plus GST, for a one-day round trip.

Obviously, the educational opportunities for our students in the north are fewer than those in the larger southern boards, and as costs continue to rise, not only will participation drop but the number of opportunities for the extras of high school life will also decline. Students, in my opinion, are being shortchanged in their high school experience.

Distance, as I said, is obviously a fact of life in the north, yet the Ministry of Education has chosen not to recognize this fact for the Keewatin-Patricia District School Board. The board covers approximately 100,000 square kilometers but is not considered remote and isolate, at least for the purposes of extra funding. Yet the Rainy River board, with half the number of students and a smaller area of operation, gets an extra \$600,000 a year. Apparently, adequate consideration has not been given to the need for travel and communication throughout the board. I attached an appendix from what the board presented to the Ministry of Education to make a request for its extra funding.

A more recent ramification of the change in education funding has been the decision not to replace teachers

retiring at the end of semester 1 or leaving to take jobs elsewhere, as I had in my school. Locally this has led to the canceling of some semester 2 classes and the subsequent changing of teacher and student timetables. Many staff and students learned only days before the beginning of the new semester that their courses were changed. In Dryden, they changed 15 teachers' timetables, and they only have 62 on staff. In my school, it affected seven teachers. This has added an extra burden on to teachers already trying to finalize semester 1 marks and get ready for semester 2, all in a very short period of time, as a matter of fact in less than a week.

We now have in Ontario a very rigid funding formula that does not take into account the realities of bargaining. Teachers have a right to expect to participate in the wealth of this province and will certainly be going for a salary increase this year. Such an increase is necessary not only to restore some of the lost purchasing power of the last seven years, with no raises and an increased cost of living, but also to make teaching in the north an attractive option for young teachers.

It will be increasingly more difficult to attract these qualified young teachers to the north, similar to the difficulties being faced by the northern communities trying to attract new doctors, as teachers in the north are falling further behind employees in both public and private sectors. For example, in Kenora, teachers have not received a raise since January 1993. This was only one-half of 1%. Since this time we have suffered through Rae days, inflation, increased benefit costs, as well as the current government's inadequate funding model.

Traditionally, our board has looked to Manitoba to replace some of its retiring teachers. There is hardly a school in northern and northwestern Ontario that doesn't have somebody who was born and raised in Manitoba or Saskatchewan but comes to teach here.

A recent article in the Winnipeg Free Press, which I have included as appendix 2, would appear to put this source of qualified young teachers at risk. The headline in the January 24, 2000, Free Press reads, "Fort Garry," which is a Winnipeg school division, "could see horrendous teacher shortage."

The hiring crunch is expected to be very serious in Manitoba this year; so serious, in fact, the St James school division is offering a \$1,500 bonus to any teacher planning to retire who informs the board before February 29. It's expected this allows the division to scoop up new graduating teachers from the universities in Manitoba by offering them firm contracts rather than tentative ones based upon what projected retirements might be. The reality is, we will have an increasingly difficult time hiring new teachers out of Manitoba, especially as this year's hiring fair at the University of Manitoba will also have recruiters from Calgary and Los Angeles.

Considering the higher cost of living in northern Ontario—an example would be gasoline at 73.9 cents in Kenora and only 61.5 cents in Winnipeg, because I was there yesterday filling up—and the current state of amenities, such as health care, the question is: How are

we going to attract the highly qualified, energetic young teachers needed to teach the tougher new curriculum?

The job of teaching has never been an easy one. Recently, however, due to cutbacks, amalgamations, lack of resources and a curriculum that is changing faster than the changes can be absorbed, the task is becoming impossible. Teachers are demoralized and frustrated. They believe their job is no longer considered valuable by the province or their board. Most teachers feel they have little or no control over their work environment and, yet, studies show the more employees feel in control of their destiny, the better they do their job. As a consequence, more teachers are looking elsewhere, either to teach out of province or to get out of teaching altogether. The unfortunate part of this is that the ones doing most of this kind of thinking are the young teachers or those in the technical trades programs who see their colleagues in business participating in the wealth of the province while they are not. Experienced teachers also are feeling the stress of day-to-day teaching in the current environment and more can't wait to retire. The topic of conversation in the staff room turns repeatedly to the benefits of retirement, but the concern has to be who will replace these qualified experienced teachers when they go.

I'd just like to add, I actually received this an hour or two ago on my desk in my office in the school. It comes from one of our second-year teachers. She goes through her day during exam time. She had two exam supervisions of two and a half hours where she was not able to do any of her marking. Rather than go through all of it, I just want to get to the end. Her day basically starts off before 8 o'clock in the morning and goes oftentimes till 12 o'clock the next morning, because she also coaches. She coaches for three or four hours and then she tries to go home and do her marking, which was due last week. At the same time, she's trying to prepare for her brand-new second semester classes which started the day after exams ended but prior to the time you can get all your marks done, and she hasn't seen her husband in about a week, so I won't mention who it is. As a result, she is seriously considering next year, if this continues, not to coach at all and she's only been at it two years. So the problem we're facing is that the young teachers are getting burnt out and the older teachers can't wait to retire.

The Vice-Chair (Mr Doug Galt): Thank you very much for your presentation. We have about five minutes for questions and/or responses from each of the caucuses. We'll start with the government caucus.

Mr Arnott: The point has been made on a number of occasions since this committee initiated its discussions that the education funding formula continues to evolve. It's certainly my view that as legitimate problems are brought to the attention of the government and backed up by analysis and the kinds of ideas that you've put forward today in a positive and constructive way, the government is obligated to consider those ideas and to hopefully see what it can do to initiate positive change.

I also want to ask you about something you said in your brief. On page 4 you talked about the increased cost

of busing for what you call some of the extras. Apparently it has gone up for bus trips to Dryden and Winnipeg, and I can understand why you would want to have various programs where kids could see what is happening in the cities in terms of museums, theatres and so forth.

Do the kids have their own fund-raising programs to raise money to offset the cost of these trips, or is it something that traditionally has come out of the education budget, the school budget?

1450

Mr Rhind: I have been teaching in this town for 26 years, so I can go back to what it used to be and then tell you what has happened. It used to be that a component of the budget for each department would be field trips. Recently those have been cut out. Probably in the last six years, those have been cut to almost none, and now it's almost entirely raised by the students, which brings us to fund-raising burnout in a small town. You're constantly hitting the same people, time after time. A lot of teachers and students are now saying, "We just can't afford the \$20, \$30, \$40 or \$50 a trip."

Mrs Molinari: Thank you very much for your presentation. Certainly you bring a different perspective, and we are hearing a lot of that today from the northern community and that one size doesn't fit all. Some of the comments you have made that are specific to the needs of the north—as a government, that is part of the process we are going through now so that we can hear from various communities.

I have one question on your presentation: On page 5 you say that in education funding there has been a decision not to replace teachers retiring at the end of September or in semester one. I don't know what your collective agreement would entitle but, based on my knowledge, it's not up to a school board whether you replace a retiring teacher. Depending on the number of students you have within the system, your collective agreement calls for the number of teachers required. So a new teacher would have to be hired when one retires.

Mr Rhind: That would have been the case years ago. In the last round of negotiations, we were under the gun for a fair number of things. One of the things the board insisted on removing was the clause that said, "If you have this number of students, you have to have X number of teachers." One of the concerns with the funding formula is that because schools have been cut so lean, they have to keep as many students as they can. And when they find in the second semester that they don't have as many as they originally anticipated, they have to find the money. One of the ways they do it is simply not to replace. Two teachers left in Ignace. They didn't replace them. One left in Dryden—actually two; one is on maternity—neither was replaced. I had one who just left and didn't get replaced because they simply figured they would not get the money come the March 31 reporting date to pay for the programs.

Mrs Molinari: So that was a result of a reduction of students taking second-semester courses?

Mr Rhind: According to the board, it was a reduction in terms of what they anticipated they would get. I haven't got all the exact figures yet, because as we speak—they go through guidance—they are still enrolling new students. But the decision was made not to hire the teachers. So they have changed a tremendous number of timetables, students' included, to accommodate the lack of classes.

Mrs Molinari: I know what it can be like at the beginning of a second semester, where the expectation is that you are in a certain class and suddenly get your schedule changed. I can sympathize with some of the difficulties around that.

Before the new funding formula was introduced, there was municipal taxation, where an education levy was tapped. So boards had the ability to levy taxes. How was that here in the north? In York region, the community I come from, there was a constant upheaval every time, because education taxes seemed to be increasing the most in the municipality. The idea was that it's not based on what you can afford, it's based on how much your house is worth and the mill rate and so forth. How did that taxation base affect the community here?

The Vice-Chair: I have to step in and move to the Liberal caucus. My apologies.

Mrs Molinari: You won't even allow him to answer the question?

The Vice-Chair: Do you want to have a quick response, and then we'll move on?

Mr Rhind: Well, nobody likes paying taxes. There isn't really a quick response to that one. I'm sorry.

Mr Kwinter: Thank you, Mr Rhind. I was listening to your presentation and it really struck home. I just want to share with you an experience I had as recently as Saturday.

My wife is a schoolteacher. She loves to teach. She often jokes that they would have to remove her when she was using her walker, because she really felt it was something she has enjoyed doing for her entire adult life. She is retiring this year, under duress. The duress isn't that they are making her retire; it is that she says she cannot afford to get sick because it puts a huge burden on her colleagues. They won't get a supply teacher unless, I think, seven teachers are away. This means that every time she feels she just cannot get in to school, she really feels an obligation to be there, otherwise it's going to put a burden on staff who are already stressed out.

Saturday night I had dinner with a principal who teaches in the same board, but not her principal. He was telling me that he has never had a worse time in teaching and is thinking about pursuing some other vocation.

My question to you is, with that kind of attitude—I certainly know my wife and I know this principal. These are dedicated educators. The morale is so low that it has to impact on the quality of teaching that is taking place in those schools.

Mr Rhind: Unfortunately you are correct. I have been teaching in this town for 26 years. I have seen a lot of teachers come and go. I have said goodbye to a lot of

them at retirement parties. I have never seen a group so eager to get out of teaching as I have in the last five years. They are demoralized; the morale is low. It's not the kids. To a person they will tell you: "I love the kids, I love teaching, I love what I'm doing. I just can't put up with the budget problems. I can't put up with dealing with the board any more."

The comment you made that you can't afford to get sick is very true. Apparently, in our board, you had better not have a relative die who you feel close to. We had an example last year where a teacher was asked to be a pallbearer. Unfortunately the person who died was not part of what our collective agreement says was a close enough relative for him to get time off, so they docked him a day's pay to go to Winnipeg to be a pallbearer. It's happening all over the place. The best they will do is charge you the supply teacher rate. Recently we were told, "We may dock you a day's pay, but your other colleagues are going to be covering your classes while you are away at a funeral, if indeed you have to go."

Mr Kwinter: That seems to be the main problem. It puts an added burden on your colleagues, who are already stressed out and having difficulty coping because of the constraints.

Mr Rhind: You have marking to do, you have preparation to do, and you have a brand new curriculum which you supposedly have to get prepared to teach and the prep period you have just got taken up doing an on-call for another teacher who is ill. Yes, the stress is increasing, and more and more it's the young teachers who are saying, "I just can't do this any more." Something has to give.

Mr Kwinter: Given all this, and I don't know whether this is getting out to these enthusiastic new teachers, are you finding that there are still lots of teachers who want to come in and get those jobs?

Mr Rhind: I really don't think I'm qualified to comment, because I'm not part of the hiring team. I know we sent somebody from the board to Thunder Bay to interview. I don't know the results. Given the fact that in Manitoba, if you read the article from the Free Press, one of the superintendents in the Fort Garry division school board says, "We are going to have to make education more attractive by increasing salaries and benefits," if they are going to start increasing theirs, I would say we're not going to get the staff we thought we would get out of Manitoba. I know there are some who are currently teaching in our school who come from down east, the Maritimes, who are considering leaving and going back home. I don't think we're going to get the numbers of energetic, qualified young teachers, the best of the best, as one of our superintendents puts it. I don't think we're going to get them the way we used to be able to.

Mr Hampton: I have two questions. The first is about the education funding formula, especially for special needs. The second is about remote and isolated boards.

I was at two of the schools in Red Lake last week, and the issue of special education funding was brought up in each case. I was at three different schools in Dryden last

week, and the issue of special education funding was brought up there as well. I am hearing a lot of it in Fort Frances. What, in your view, is the problem with the funding formula with respect to special education? I asked the teachers I was talking to then about the announcement of the additional \$40 million for special education and the response was, "Well, that's good, but it doesn't come anywhere near the need."

Can you explain for us the problem with the funding formula for special education and what has to happen before it gets fixed?

1500

Mr Rhind: I'm not an expert on the ISA grants, which is where they are generating most of their funding now, but I had it explained to me at noon by one of our special-ed teachers, so I'm trying to relate what I just heard at noon.

Apparently, the problem is that in order to qualify for complete 100% funding, you have to have a severe disability. What's happening is that more and more of the board's money goes to certain individuals and less is now available to those who are in the regular classroom but could benefit from a resource program or from having some extra help: one worker in with five or six kids. The money's simply not there, because to get the money you have to go through a series of hoops in order to qualify as a category 1, 2, 3 or 4 type of disability.

Mr Hampton: So students who may be coping with a disability, but whose disability is not so severe as to be classified by ISA, essentially fall through the cracks now.

Mr Rhind: Precisely. That's the way it was put to me by one special-ed teacher. More and more of them are doing just that, falling right between the cracks.

Mr Hampton: The issue of remote and isolate boards—and I thank you for bringing this graph which compares the Keewatin-Patricia board, the Rainy River board and the Superior-Greenstone board. Some of the government members and I had a chance to talk about this over lunch, so I wonder if you could emphasize it.

I want to draw your attention to the Rainy River board. The area recognized within the board is 6,015 kilometres. I know the history of that. In 1987, the then Fort Frances-Rainy River board made an application to the Ministry of Education to have what are called remote parts of Rainy Lake and Lake of the Woods and some of the other areas that are not necessarily serviced by road added to the board's geographic area. The Ministry of Education in 1988 assented to that, so the board gets credit for places that are at the end of the road, and even beyond the road.

I know the old Kenora board made a similar application in about 1988, but there was a torrent of letters and faxes from people—I think the Right Honourable John Turner wrote a letter opposing it—and so the government of the day declined to recognize the geographic area of the northern part of Lake of the Woods and some of the other geographic areas falling within the board.

I think what I hear you saying is that if there's going to be equitable funding for Keewatin-Patricia, that area

has to be recognized, because even though it may not be the most urban of areas or may not even be a suburban area, it geographically ought to fall within the extent of the board, and the board therefore ought to be recognized for remote and isolate funding. I think that's what you're asking for, isn't it?

Mr Rhind: I actually am repeating what our business administrator for the board made as a presentation. That's where this chart came from. His argument was just that. This doesn't take into account the fact that we are responsible for running all the way from Red Lake down to Sioux Narrows and all the way from the Manitoba border to Ignace. All this grant does, or all the ministry will take, is the actual jurisdictional boundaries of those towns rather than the distance in between, as though somehow one can magically go from Kenora to Dryden and all that distance in between that you're covering, that theoretically is not in your jurisdiction according to the old boundaries of the old boards, doesn't cost you any money; you can get there free.

Mr Hampton: In fact, it does cost you an awful lot of money.

Mr Rhind: We're basically responsible for providing service for anybody who lives within those boundary lines too.

Mr Hampton: As I understand it, if all of those areas were within the geographic boundary of the board, the province would actually add to its educational property tax resource.

Mr Rhind: That's what I have been told.

The Vice-Chair: Thank you very much for your presentation and your responses. Best wishes.

Mr Rhind: Thank you very much for listening to me.

ONTARIO PUBLIC SERVICE EMPLOYEES UNION

The Vice-Chair: Our next delegation is from OPSEU, Mr Len Hupet, vice-president. Would you come forward and state your name into the microphone for recording purposes. Thank you very much for coming forward.

Mr Len Hupet: Good afternoon. My name is Len Hupet. For over 30 years, I've been a correctional officer at the Fort Frances jail. Right now I'm on leave from that job and serving my second term as first vice-president and treasurer of the Ontario Public Service Employees Union.

I want at this time to thank you very much for the opportunity to address these hearings, and welcome to the north.

I am here today to bring my union's perspective to the provincial budget. Since 1995, OPSEU members have found themselves directly in the path of the Conservative steamroller. Since 1995, we have seen over 25,000 members lose their jobs, not only in the Ontario public service but also in our community colleges. We have seen dedicated workers in health care and social service agencies struggle to serve their clients in the face of ongoing budget reductions.

We are among those who have paid a heavy price for the Common Sense Revolution. We believe we have a particular understanding of what this government's policies have done to Ontario. We believe we have a unique perspective. We know what it means when a government deliberately chooses to destroy public services.

I want to talk about two main things here today: first, our ongoing concern with the general fiscal direction of this government and, second, the impact of this direction on our members, their work and their communities.

As everyone knows, this government decided a long time ago that tax cuts were more important than any other policy goal; more important than public services, more important even than deficit reduction, which Conservatives normally put a premium on. This single-minded focus on tax cuts is about one thing and one thing only: to change the way the wealth of this great province is distributed.

In the north, we are used to seeing our resources shipped away to make other regions better off. Under this government, the same thing is happening, but it's not just a transfer of wealth from poor regions to rich regions; it's a transfer of wealth from poor people to rich people.

Of course, the government doesn't want to just come right out and say that cutting taxes and chopping public services are moving money from the poor to the rich, so they make up reasons. They say that we have to cut taxes to compete globally. They talk about a brain drain. They talk about tax cuts as if they put more money into everybody's pockets. They talk as if tax cuts are actually making Ontario a better place to live. They are not. You just have to read the headlines: emergency room tragedies, environmental disasters, homelessness in Toronto, deteriorating roads in the north, and students who can no longer afford a higher education.

In the middle of these serious problems, the government always tries to put the blame on others: the federal government, poor people, the union movement and its own employees.

According to the alternative provincial budget, the Tory tax cuts will double the provincial debt, an additional \$80 billion since 1995. So much for being conservative. Driving us into debt, slashing public services and cutting taxes all have the same effect. Debts give future governments an excuse to cut public services. Tax cuts give the current government an excuse to cut public services. When public services are slashed, they deteriorate. This causes people to lose faith in government.

Unlike the Bill Davis Conservatives, good government is not this government's goal. Their goal is no government. With no government, the playing field will be wide open for private corporations to run everything, and when corporations run everything, democracy means nothing. This is the direction the Harris government is driving us. They never say that, of course. They say tax cuts actually increase government revenues. If this were true, and it's not, the best way to increase government revenues would be to give all our money away. Well, the real world doesn't work that way.

A recent study by the Canadian Centre for Policy Alternatives compared British Columbia and Alberta between 1993 and 1997. British Columbia faced slower growth in the economy and introduced few tax cuts. Alberta had a faster rate of economic growth and introduced deep and extensive tax cuts. It should come as no surprise to anyone that British Columbia had a faster rate of revenue growth; it's common sense.

1510

Yes, revenues are growing in Ontario, but not because of tax cuts. Since the Harris government came to power, the United States economy has been booming. The federal government has maintained a policy of low interest rates. These two things are driving the current economic boom. But a very sad thing is happening. At one time, an economic boom was good for everyone. They used to say, "A rising tide lifts all boats." This economic boom is different. While some get richer and richer, others are getting poorer and poorer, and the destruction of public services only helps those who can afford to buy their own. In their hearts, Ontarians know this. In poll after poll, the public ranks education, health care, the environment and assistance to poor children, to name a few, far ahead of tax cuts.

This isn't that surprising, given the actual pocketbook impact of the tax cuts. As you have previously heard, the Centre for Social Justice has recently released new figures from Statistics Canada tracking the income of families raising children under 18. The centre compares the year 1994, the last full year of the NDP government, to 1997, the most recent year for which statistics are available. During those four years, the disparity in income earned in the marketplace between the richest 10% of the population and the poorest 10% of the population actually dropped. The gap fell by over 70%. Amazingly, however, after this government's intervention in the market through tax cuts for the wealthy, transfer cuts to average Ontarians and new user fees, the gap between the richest and poorest actually increased from six times after-tax and after-transfer income to almost eight times.

The political choices of this government have ensured that our society is even more divided than ever.

The impact on public services and OPSEU members: I want to talk about the impact of public service cuts. Public services have always been the backbone of our northern life. Publicly maintained highways have moved our resources to market. Government regulation has, to some degree, made sure that our resources have helped build the province and not only line the pockets of corporate shareholders. All of that is coming undone.

By laying off hundreds of resources technicians, this government has given forest companies free rein over a resource that is supposed to belong to us. By laying off over 40% of the staff in the Ministry of the Environment, they've given polluters a free ride through what they call "self-regulation." Asking private industry to do its own management of public resources and cut pollution voluntarily is exactly the same as expecting speeders to turn

themselves in at the next OPP detachment. It just doesn't happen.

What's happening to our northern highways is even more obvious. This winter people across the north are asking, "What's gone wrong with our highway maintenance?" For starters, it's not as good as it used to be. There's less salt, less sand and less plowing. That means more dangerous roads. It may mean more highway deaths. In communities like Schreiber, Neebing, Temagami, Latchford and Ottawa municipal councillors are wondering if poor maintenance is causing highway deaths. If it is, there is a good chance that privatization is to blame.

Starting in 1996, the government launched an ambitious plan to privatize highway maintenance. Their goal is to have all of it sold off to private corporations by this spring. The 1999 report of the Provincial Auditor did not slow them down one bit. This past November the Provincial Auditor, Erik Peters, wrote a scathing report on how the Ministry of Transportation had handled highway privatization so far. Here's what he said. "The ministry's procedures were not adequate to ensure that the outsourcing initiative was managed with due regard for economy and efficiency, nor to ensure compliance with legislation, policies and contract terms and conditions." In other words, MTO did pretty much everything wrong.

First off, the report proves taxpayers didn't save money by contracting out. What appears to matter to the government is not satisfying highway safety and maintenance but only satisfying its corporate friends.

The report noted the inadequate monitoring of safety standards in privatized areas. The auditor also saw selling off public highway equipment and then listing the revenue as an attempt to "cook the books." He pointed to evidence that the government had double-counted certain budget items to make the work performed by public employees look like it cost more.

The auditor's report confirms what OPSEU has said all along about the privatizing of roads: It's too expensive and it's too dangerous. Public employees do a better job because they don't have the profit motive interfering with their work.

When you privatize a service like road maintenance, the motive is there for private operators to cut corners to increase their profits. They might use less salt or sand or they might lift their plows off the pavement to save the blades. Whenever that happens, the public is put in danger. We cannot support that. That's why OPSEU is working now with northern mayors to call for an independent review of the whole highway maintenance scheme. We believe privatization is destroying our roads and endangering our lives. We believe an independent review will prove it once and for all.

Despite the fact that privatization has been an all-out disaster for Ontario's highways, the government now wants to do the same damage to another area that has a lot to do with public safety. That area is correctional services. Right now, the government is planning to privatize one and likely two of the 1,200-bed superjails it is

building in Penetanguishene and Lindsay. They plan to privatize the escort of prisoners when they are taken into the community for medical appointments or when they are being transferred between institutions. They plan to privatize the maximum-security facilities for young offenders. This is very dangerous.

People who live in communities with provincial jails don't think about them much. That's how it should be. Ontario jails have an excellent track record in keeping inmates locked up and keeping communities safe. The people who run Ontario jails are directly accountable to ministers of the crown. In addition, provincial jails provide decent-paying jobs that support local economies.

These are the three things that our communities will lose if private jails come to Ontario: safety, accountability and economic benefits. And don't think it's something that will just happen down south. The corrections ministry has already completed its review of the northern district. We don't know what they've got planned, but we do expect community jails to close and bigger jails to be built. If the government can get away with private jails in the south, they will privatize here as well.

By now, most people have heard the horror stories about what has happened with prison privatization in the United States and overseas. In 1997, the city of Youngstown, Ohio, invited the Corrections Corporation of America to set up a private prison with the promise of 450 jobs to be created. The CCA prison held 1,700 inmates. In the next 10 months that prison had 13 stabbings; two of them were fatal.

All of the other prisons in Ohio, all publicly run, had only 12 assaults with deadly weapons during that period. No one died. The public prisons in Ohio held 48,000 inmates. In other words, the record of violence in Youngstown was 30 times as bad as it was in the rest of the system.

Peter Davis, director of the Ohio state corrections agency, said, "There is nothing in Ohio's history like the violence at that [private] prison."

1520

Maybe some people don't care about what goes on behind the locked gates of a jail; we do. Correctional staff do not want to die so some foreign corporation can make money. Then there's the community aspect.

In Youngstown, six inmates broke through seven layers of prison security. Five of these escapees were convicted murderers. When they escaped, the prison held off on calling the police for several hours. This is not an isolated case.

The two private prisons in New Mexico run by Wackenhut Corp had riots, nine stabbings and five murders in just over a year. One of them was a guard. The man who died was named Ralph Garcia. He signed on at the prison for \$7.95 an hour. He had not completed his short training course, but he was put in a cellblock with 60 unlocked prisoners. Leaving Garcia alone was part of Wackenhut's cost-cutting policy. The response from a

Wackenhut executive was, "We'd rather lose one officer than two."

In a public facility, you've got experienced, professional staff who know how to keep things calm. You've got managers who are accountable to citizens. A corporation is accountable to its shareholders. It is not accountable to local citizens. Private corporations exist only to make money. In private prisons, they do this by cutting costs. And that means jeopardizing safety.

We've already seen this in Ontario at the government's private boot camp for young offenders. Project Turnaround is a facility for offenders aged 16 to 17. It opened in August 1997 near Orillia.

We don't know exactly what's going on inside Project Turnaround right now. As a private facility, it's not open to scrutiny the way a public facility is. The public can't even get a copy of the minister's report on the escape that happened there.

The escape happened on the day of the grand opening. The minister went up there to do a big media event and the kids did one instead. Two of the inmates broke out of their rooms, hot-wired a van and crashed it through the gates. Fortunately for police, the breakout damaged the radiator and the van broke down not far down the road. The inmates took off into the bush and were not captured for several hours. After that, real correctional officers from the public service were called in to secure the facility. Taxpayers paid for that. Taxpayers also paid \$380,000 for security improvements at that facility.

There was a public meeting held near Project Turnaround a few months after the escape. One of the local citizens posed a hypothetical question to ministry officials. He asked what would happen if the escaped inmates had crashed the van into his wife and children and killed them. He wanted to know who he would be suing.

The then corrections minister Bob Runciman couldn't answer the question. Finally, a ministry spokesperson said, "That would be up to the courts." Of course, that's not true. In reality, he would be suing the company and the government. The government cannot escape liability by contracting out. It just loses control. Taxpayers are always on the hook for extra costs, but the company's profits continue. The history with private prisons is that the public is always the last to know what is going on.

Finally, there is the money issue. Governments who push private prisons always say that they will save money and create jobs at the same time. Neither is true. According to the most comprehensive report done by the General Accounting Office of the US Congress, there is no evidence that private jails are cheaper than comparable public jails. There is also no evidence that a private jail puts more money into the local economy than a public jail. The reason is simple. To make a profit, the company must take money out of the service and out of the community to ship back to the corporate head office. Taking money out of the service means taking it out of payroll.

On March 1, 1999, the Ontario government privatized Arell Youth Centre, a secure-custody facility for young

offenders in Hamilton. The first effect of this was that the facility lost almost all of its experienced correctional staff. Of those working at the facility before privatization, only five employees remained after. The correctional officer's salary for new hires dropped from \$44,500 to between \$31,168 and \$34,058. At the same time that salaries were being cut by over \$10,000, the government gave the private operator an extra \$300,000 a year to run the operation. The budget went from an existing \$2.2 million to \$2.5 million a year.

Privatization did not save money; it cost more. On top of that, it cost the public the services of experienced professionals.

Deregulation of resource management and privatization of highways and jails are not being driven by common sense, not at all; they are being driven by a government that has set itself one goal: to move wealth and power from democratic citizens to corporate shareholders. On behalf of my union, I'm here to say that this is not the direction Ontario should be going.

I would like to ask each and every one of you on this committee to take a hard look at what is happening, and when you get back to Queen's Park, please fight for an Ontario that is for all of us, not just the lucky, Conservative few. Thank you very much.

The Chair: We have approximately two minutes per caucus.

Mr Kwinter: Thank you for your presentation. I'm going to do something I don't like to do: I'm not going to ask any questions, I'm just going to make a statement.

I believe that government has the same responsibility as the private sector, and that is to become as productive as they can and to be as efficient as they can. If that means consolidating and getting rid of employees, I have no problem with that, if that's the goal. It happens in industry every day. Where I do agree with you completely, and this is what I want to talk about, is the whole issue of privatization.

We have a situation where in the previous government the man who is now the Minister of Transportation was absolutely critical of what was happening with Highway 407. He would stand up every day and condemn it and say it was the most terrible thing that ever happened. Then he becomes the Minister of Transportation and it's the greatest thing going.

The government sets up a minister in charge of privatization and hires someone to run that ministry, the most expensive civil servant in the government. After a few months, he's gone and the minister is gone, the reason being, if you take a look at it, there is example after example that privatization doesn't always work. I have no problem—if you can show the benefits, privatize. They talked about privatizing TVO and the LCBO. They've backed off on that, the reason being that just because it's in the private sector doesn't mean it's going to be better, and sometimes there are things the government should be running.

I agree that in the correctional service, that is a role for the government. There are many areas, as I say, that can

be privatized. We've heard of tree nurseries. Big deal. They privatize a tree nursery. That was their benchmark issue of how they're going to privatize things. So I agree with you completely on that area.

On the other hand, I want to make sure you understand that from my perspective there has to be an examination of everything the government does, and if there is waste, if there are unproductive areas, they've got to be addressed. We have a responsibility to the taxpayer to get value for money and to make sure that it happens. I feel there's got to be a judicious application of where you increase productivity and where you increase safety and responsibility for the taxpayer where the government has a role to play.

Mr Hampton: I want to ask you some questions about highway maintenance because I think the government members need to hear this. This has not been a particularly severe winter in northwestern Ontario, in fact it has been a relatively mild one, yet we've had 15 highway deaths since the beginning of December. In almost every case, highway maintenance or the lack of winter highway maintenance has been identified as a major contributing factor.

What are you hearing about what has changed with the privatization of much of the winter highway maintenance? What are you hearing is the difference?

1530

Mr Hupet: I believe the difference is that the roads were, for lack of a better word, supervised more frequently by public service employees. In other words, they were out constantly looking at the condition of the road and would dispatch plows and sanders, and those vehicles were out instantly.

That is not the case with private operators. They make the assessment on when they go out, how much sand or salt to use, and where that plow should be situated.

A private operator is obviously out for revenue. If it means having a couple of opportunities to go out and do one snowfall rather than do it once, that is an issue for us. We know that our members, Ontario public service employees, did a great job on our highways on the maintenance side, and we have noticed a tremendous difference in the last few years.

The Chair: You have 30 seconds.

Mr Hampton: I understand that the area that highway supervisors now have to cover, the distance on the highway, has in many cases tripled or quadrupled from what it used to be, that the cutbacks are such that someone has to be responsible for, say, 250 kilometres of highway, which is almost impossible when you get into a winter situation. Is that your understanding too?

Mr Hupet: That's my understanding.

The Chair: For the government side, Mr Arnott.

Mr Arnott: Thank you very much for your presentation, Mr Hupet. You have argued your perspective very well, I think, but I have to tell you that I disagree on a pretty fundamental level with most of your conclusions as to what ought to happen.

I must point out what I think was an inaccurate statement in your presentation that the debt has gone up by \$80 billion since 1995.

It is my understanding that the provincial debt was about \$30 billion in 1985, when the Conservative government left office. It was around \$42 billion in 1990, when the Liberal government left office. It was around \$100 billion in 1995, when the NDP left office, and today it is around \$118 billion.

While I agree with you that it is not good public policy to allow the debt to explode while you are in office, certainly it is the opinion of the government that we are now at the point where we should start paying down debt, and I support that.

I would ask you a couple of questions about your statements about privatization or the belief that there is going to be privatization in our jails.

At the Fort Frances jail, where you formerly worked, I was wondering if you know what percentage of the overall operating budget is comprised of salaries and wages. Would it be around 80%, or would I be wrong in guessing that?

Mr Hupet: I think it would be safe to say that.

Mr Arnott: Do you feel there has been any effort to identify areas of wasteful spending within the institution such that money could be saved? That is the kind of thing the government is looking at in terms of privatization. It is not being driven by a philosophy but by a belief that there may be ways we should explore to do things better and cheaper by looking at alternatives. If savings were identified within the existing way of doing things, I think it would make it less likely that the government would move towards privatization.

So my question is, what more can we do to identify savings within the Fort Frances jail so that we can save the taxpayers money and still do the job the way it has to be done?

Mr Hupet: I think one area to start with would be having an opportunity to dialogue with the government. That would be the first place, and we are certainly open to having those discussions.

On the issue of the privatization model, given what we know in our history and our research of the US situation, atrocities have taken place. It is surprising to us that the government would be looking at a model where there has been all this activity over the years and you now have US Congress and other government officials looking at ways of getting out of the mess they are in.

We find it very surprising that the government would be looking at attempting to bring that kind of model into Ontario when we know that we have a safe system here.

The Chair: With that, we've run out of time. On behalf of the committee, thank you very much for your presentation this afternoon.

Mr Hupet: Thank you.

ONTARIO SECONDARY SCHOOL
TEACHERS' FEDERATION, DISTRICT 5B

ELEMENTARY TEACHERS'
FEDERATION OF ONTARIO

The Chair: It's my understanding that the next group, Women's Place Kenora, is not in the audience. However, apparently the 4 o'clock group is in the audience. So I would invite the Ontario Secondary School Teachers' Federation, district 5B, Rainy River, to please step forward and identify yourselves for the record.

Mr Andrew Hallikas: A slight omission in who's presenting; we're co-presenting with the Elementary Teachers' Federation. I'm Andrew Hallikas of OSSTF.

Mr Gary Gamsby: Gary Gamsby, ETFO.

The Chair: On behalf of the committee, welcome.

Mr Hallikas: We would like to thank the committee for their time and also for making the journey to Kenora. We really do appreciate the chance to be heard up here.

We would like to speak to you today about the education funding formula, and in particular we would like to talk to you about education in the north.

Although the secondary and elementary teachers of the Rainy River district federations are co-presenting this brief, the brief itself was prepared with the co-operation and also input from the board chair, the director of education, principals, vice-principals, elementary teachers, secondary teachers, caretakers, students and educational workers of the Rainy River District School Board. We all have a lot of concerns.

John Snobelen, when he served as Mike Harris's first Minister of Education, was quoted widely as saying, "The system is broken," and "We must invent a crisis." We'll all remember those quotes. Of course the system wasn't broken, but the Conservative government certainly invented a crisis in education. We believe this crisis served as the excuse the Conservative government would use to extract money from the education system in order to fund its income tax reduction scheme. The Conservative government has cut close to \$1 billion out of the education system.

In 1998 Ontario was ranked 55th out of 63 North American educational jurisdictions. This is down from 13th in per student spending in 1993 and 42nd in 1995. We invest less in the education of each child than every American state except Utah. When you examine what the 12 Canadian jurisdictions spend on education as a percentage of their gross domestic product, Ontario is at the bottom of the class again: 10th out of 12.

Although the message that continues out of the Premier's office, as well as from the ministry, is that this government is spending more on education today than at any other time in Ontario history, those of us who work in the classroom and see first-hand the effects of underfunding know that the government truly has created a crisis in education.

Janet Ecker, the present Minister of Education, on three separate occasions highlighted the point that government spending on education is up, although, interest-

ingly, Mike Harris, in a statement to the editorial board of the National Post, admitted that education spending, when inflation and increased student enrolment were considered, had declined under his government. Again, those of us in the classroom know that we have less in the classroom than ever before.

Operating expenditures, which represent the constant funding that goes into education, peaked in 1995 when this government was first elected and has never risen to this level since. This is in spite of the fact that there have been increases in both enrolment and inflation since 1995, as Premier Harris stated. It's true the government has put money into capital expenditures and is obligated to pay its share of pension contributions, but these dollars don't go into the classroom.

The government bases its case for spending more on education, on expenditures other than operating expenditures. But when capital and pension contributions are factored out, the Ontario government in fact is spending less on more students. Combine that with fewer teachers doing more with fewer resources and larger classes and you begin to get an idea of why teachers are leaving the profession that they love in droves.

Funding for full-time equivalent students has gone down. We have all seen the unfortunate result in terms of unrest, protests, demonstrations, and demoralized teachers and education workers across the province, and I'm afraid that perhaps the worst is yet to come unless something is done with the funding formula.

1540

It's not the education system that is broken; it's the funding formula and its premise that all students are the same that's broken.

The funding formula centralizes authority and decision-making but it decentralizes blame. School boards and employees are placed by the government and its broken funding formula into a position that virtually guarantees labour unrest, something that neither boards nor unions wish for or are responsible for. Worse yet is the negative impact that this government's funding formula is having on our students.

In this brief, we'd like to comment on the negative impact that the present funding formula for education is having locally, on the teacher shortage and on collective bargaining.

Mr Gamsby: Not all students in Ontario are the same. One of the major flawed premises of the present funding formula for education is that all students are the same. This is simply not true in Ontario.

Certainly all students are entitled to equal opportunity and to equal quality of education, but the funding formula does not deliver this. Students of southern Ontario boards do not have to spend between one and five hours a day on a school bus. Students in northern boards which cover large geographical areas but do not contain large populations do not have the same access to educational enrichment that students in the southern boards have.

Our students do not have access to the museums, science centres, symphonies, universities, theatres or

field trips that students elsewhere have. If our students are studying a Shakespearean play, they cannot take a field trip to Stratford, Ontario, the way students in Kitchener or London could. For our students to see a Shakespearean play, they would have to travel at least 650 kilometres, one way, to Minneapolis, Minnesota, stay overnight, miss two days of school and pay a large amount of money, if indeed they could afford it. There is little or no money available in the funding formula to provide the transportation necessary to give our students the same advantages that students in larger centres have.

Mr Hallikas: Our special education children are also being shortchanged by the funding formula. Although we received new high-needs students this year, the funding stayed the same. The SEPPA funding is on a per pupil basis, but for boards with few students this funding does not amount to very much. The last increase that our board received in SEPPA funding didn't even cover the cost of one full-time assistant.

The EIC, the Education Improvement Commission, the government's own committee, in their report on the Rainy River District School Board, commented:

"The Rainy River board is challenged to meet its community's expectations regarding special education.

"Some special-needs students require the support of a full-time education assistant. Others do not, but it is not always practical to assign more than one client to an educational assistant when the jurisdiction is so vast and sparsely populated."

The SEAC committee which oversees all special education students in the district, met very recently, February 2, and wrote a letter to the minister about the flaws in the present funding formula. There is presently insufficient funding to provide adequate special education support to classroom teachers who must provide modified programs to our special-needs children.

I would like to quote a comment that a teacher at Rainy River High School sent to me, a young female teacher just starting off:

"I taught a grade 10 Introduction to Computers class this term. The class had 20 students and was an advanced-general split. Six of these students were special-needs students. However, I did not have any educational assistants to help me deliver curriculum to these six students. I feel that these six students did not get enough individual attention, even though I spent almost all of my class time with those particular students. These students needed a lot of individual instruction and one teacher in a class of 20 was not enough. The advanced students also suffered because I had very little time to give them any individual attention at all. Furthermore there were discipline problems in the class that were a direct result of the lack of educational assistants. Special-needs students became very easily frustrated with the computers. If I could not get to them to help them soon enough, they would become restless and start to act up."

Mr Gamsby: Guidance and counselling: In our elementary system, due to insufficient funding, there are few or no guidance or counselling services available to

students with emotional or behavioural problems. We are seeing a rise in student violence and acting out at all levels in our school system. Guidance and counselling at the secondary level has had the number of periods available cutback due to insufficient funding. Because of this, there is no longer a department head to oversee the program and most of the guidance counsellors are part-time.

This causes a lack of continuity in the department and also with student clients. Counsellors are not seeing students as often for routine check-ups, where problems with students' courses of studies are usually caught early. This is having an adverse effect on the students. For example, often students find out too late that they require an additional course to graduate. Other duties in guidance are not being done or done as well as they have been in the past. For example, letters that need to be written to colleges and universities on behalf of the students are taking longer to do.

This year the career fair, which is very important in the north where opportunities and resources for students are minimal, didn't even get off the ground. Getting information and applications out to the students is taking longer. The course selection book is incomplete and this will get worse as all the new courses come on-line. There is a real concern for September when the grade 10 career studies course becomes mandatory. Since guidance teachers presently cannot keep up, how will they handle this additional workload?

Mr Hallikas: Presently there is no funding in the current funding formula for school councils. Funding for school councils must be enhanced in order for them to communicate effectively with parents and the community. We really believe that school councils have the potential to be of great service to the education system, but they must have a budget to be effective.

Again, the EIC commented on this in their report on our board. They said, "School council representatives also expressed concern that the focus of their role seemed to be on fundraising, particularly for essential items such as computers and library books." As a staff member said: "School councils are a good idea. They need the tools to do the job—a budget and training."

Mr Gamsby: Physical education: Due to a shortage in funding throughout the system, curricular aspects of the physical education program have been reduced or eliminated. Due to budget cuts, physical education departments cannot afford to pay the costs of busing students to facilities such as arenas, tennis courts, curling clubs or golf courses, nor can they afford the facility rental cost.

In an effort to maintain the quantity of the equipment required to run programs, the quality of this equipment has had to be reduced. The department relies heavily on using equipment purchased through booster clubs formed by parents, which is a form of user fees levied on the entire community.

In extracurricular athletics there are user fees required from all students who wish to participate. These fees have continued to rise and are now at such a level that significant numbers of less fortunate or less affluent

students cannot afford to participate in a very important educational experience. There is no money at all available for the purchase of team uniforms.

Mr Hallikas: Our caretakers have not had a raise in salary in eight years. During this time positions have been cut and workloads have increased. Due to cutbacks, some of our caretakers particularly in smaller schools have no time for routine maintenance. Some necessary cleaning does not get done and consequently some of our schools are in poor shape. In some cases this leads to a situation where the health and safety of staff and students could be jeopardized. Some of our elementary schools are not as safe or as clean as they once were. Similarly, secretaries and clerical workers have lost jobs as positions are contracted out. Bus routes have been outsourced. Kindergarten students, who used to have their own bus, are now forced to share buses with older children. The distance that students must walk before they are entitled to ride a bus has been increased in some communities. The number of mechanics who service buses has been reduced. All of these employees are expected to do more with less. We feel this is a really risky premise when the purpose of our system is to nurture and develop children.

Mr Gamsby: Class size: Due to the ministry-mandated class size average of 25 students per class at the elementary level, class sizes in general have gone up, particularly at the primary level, and again at the intermediate level in an attempt to try to keep primary classes smaller.

At the secondary level, the number of teachers has decreased while class sizes have increased. Last semester at Fort Frances High School we had a record number of classes over the caps specified in the collective agreement. Although the average class size is mandated at 22 students, a record number of classes were over 30 students and some were over 35 students.

Mr Hallikas: In our entire system there is one teacher-librarian. The elementary system has no teacher-librarians. Consequently, elementary schools cannot adequately utilize their libraries, as teachers need to stay in the classroom and no one is available to supervise the library. It's very inefficient. Either the entire class goes to the library or no one goes. Since supply budgets have been cut, there is little or no money to buy library books, or much-needed textbooks, for that matter.

1550

Mr Gamsby: Twinning of schools: For schools that are twinned, and this is a situation where one principal will look after two or more schools, unique problems occur. Since secretarial time is also insufficient and teachers are in the classroom—and there's no one in the library—there is no person available to answer the phone, deal with visitors and handle emergency situations. The EIC, in its report, commented on this. They said: "Parents and staff report that they have had difficulty contacting school staff during the day. The board should examine strategies to ensure that these schools can be contacted during the school day." This is good advice,

but it will cost money and that money is not allowed for in the funding formula. This condition is especially serious for smaller schools. Again, it is our students who are at risk due to inadequate funding.

Mr Hallikas: Very recently, this past month, all of our departmental budgets were cut a further 5%. This is on top of previous cuts and at a time when resources, texts and equipment are desperately needed.

Resources are required in order to support and implement the new curriculum. Many of the resources that are presently in the schools were produced hastily—as the curriculum was—and are not effective. In particular, the following are needed for our elementary system: history, geography and science textbooks; science equipment for intermediate grades; manipulatives and equipment are needed for the primary grades; graphing calculators are needed for the secondary system.

Rainy River High School has seven graphing calculators available for all grade 9 students. The new curriculum mandates the use of these calculators and the new textbooks assume that students have them. There is no money available to purchase these much-needed supplies. In fact, our board had to take some money out of supplies in an attempt to adequately fund transportation.

Mr Gamsby: One of the major problems that small northern boards have is transportation. Many of our students are required to be transported over long distances, often in bad weather. This is very expensive to do.

A Toronto newspaper once did a feature story on how long our students spend each day on a school bus and how far they are required to be transported. The title of the article was "Canada's Longest Bus Ride." Students riding this bus travelled 150 kilometres to school every day, one way, regardless of the weather. The journey took between two and three hours, one way. By the time they graduated, these students had spent a significant proportion of their lives on a school bus.

Transportation in our board is grossly underfunded by the government. Our board is short approximately \$250,000 each year. School boards can no longer turn to the property tax to make up underfunding from the province, nor are they allowed to run a deficit. This sum had to be made up from elsewhere in the funding formula and much of it was taken from the supplies budget. This means fewer textbooks, supplies and equipment for our students, at a time when there is a complete and sudden overhaul of the entire education system in progress.

The EIC report on the Rainy River District School Board stated, "The vast rural areas served by this board affect transportation costs and result in long routes for some students." Another comment by the EIC in their report was that, "Prior to amalgamation, the larger of the two predecessor boards was very frugal and had cut transportation costs to the barest minimum." The funding formula unfairly penalizes this board for its cost-cutting efforts. The EIC report states that: "The former Fort Frances-Rainy River board historically had one of the lowest per-pupil costs for transportation in the province,

but the current board spends approximately \$170,000 more than the ministry allocates for transportation—a significant amount for this board. The board is spending an additional \$95,000 to transport students to the new secondary school in Fort Frances.”

This situation will not change unless the funding formula changes. Our fear is that the shortfall in the funding formula will lead to increased pressure to close small community schools, which in turn will put further strain on already inadequate transportation funding.

The EIC stated in its report that: “The board has several schools operating at less than 80% capacity. For the most part, they are small schools in remote communities and closing any one of them would result in students having to travel long distances. The board is already spending \$177,448 more than it has received from the ministry’s school operations envelope.”

The government, in its hurry to reform the entire educational system, has put incredible pressure on boards, teachers and students.

Mr Halilikas: The EIC also commented on professional development: “Professional development in a large northern board is a challenge, as it is difficult to get staff together because of distance and cost.”

Since the funding formula provides minimal money for PD, and since the government has reduced the number of professional development days to four, the challenge is even greater, if not impossible. Teachers require professional development now more than ever before. The government, of course, has reduced the number of professional development days at a time when they are needed the most. In order to implement the new curriculum, get the necessary training, learn how to do the new report cards, learn new assessment strategies, report to parents, evaluate resources and much more, more not fewer professional development or activity days are required. The government must provide funding for this if they wish their reforms to be implemented properly.

Just as students in the north do not have access to the same educational enrichment possibilities as students in larger urban areas, so also are northern teachers disadvantaged. There are few local professional development opportunities available. Teachers in specialized areas must travel either considerable distances to obtain specialized training or experts must be brought in at considerable expense. Simply to attend a conference, most of which are held in Toronto, entails a substantial expense. Small boards do not have the money to provide professional development comparable to that provided by the larger boards.

Many of the new curriculum reforms are technologically based, and again, we do not have the resources to properly implement them. With the electronic report cards, planners, graphing calculators, computer technology and so on, teachers need greater access to training, technical support and access to equipment. Our board presently does not have the resources to provide this.

Presently staff morale is at an all-time low. Even the EIC noted that, “Morale is a problem for both union and non-union staff.”

Due to the inadequacy of the funding formula, there are fewer staff, all of whom have increased workloads and who have not had a meaningful raise for eight years.

There are inadequate classroom resources to deal with a huge amount of change that has occurred in a very short time. Yet the EIC says, “We believe that it would be appropriate and productive to give people a period of stability and time to settle into their new roles.” We also believe this, and we wish the government would provide sufficient funding and phase the new reforms in over time, instead of rushing ahead with them, so there could be some stability. With much more change to come, and little in the way of resources, it is not surprising that staff members are stressed and morale is low.

Mr Gamsby: Janet Ecker, in her address to branch presidents in September, asserted that the government hopes to build an excellent education system and that one of the cornerstones of such a system is excellent teachers.

Record numbers of teachers have retired in the past two years. Given that thousands of senior teachers will be retiring in the next 10 years, it seems obvious that the government should be thinking of a strategy to attract excellent young teachers to replace them. A central part of that strategy should be a plan to provide funding for reasonable and fair increases in teachers’ salaries and reasonable working conditions. There is no component in the present funding formula to address this. In particular, we in the north are having a great deal of difficulty in attracting teachers not only to replace retiring teachers but also to replace those who get ill or go on maternity leave.

There is also great difficulty in attracting experienced and competent administrators, especially since the Conservative government has destroyed their job security by removing them from the teaching federations. Presently, the Rainy River District School Board is forced to utilize retired, unqualified or inexperienced administrators in order to run schools. The EIC stated: “Recruiting qualified staff is difficult for this board particularly in certain teaching specialties. In some cases the board is using unqualified occasional teachers because qualified teachers are not available.” The EIC also says, “As is the case in other sparsely populated and remote northern communities, this board has experienced difficulty in hiring qualified personnel.” The EIC goes on to say, “Concern was expressed by the board’s senior staff that the board may need to pay higher salaries if it wants to attract highly qualified staff.”

There is presently a shortage of teachers in our neighbouring province of Manitoba, in our neighbouring board here in Kenora and in neighbouring states such as Minnesota. It is estimated that the Keewatin-Patricia board of education will require at least 80 teachers this coming year. The Rainy River District School Board will also require teachers and administrators next year and in the future. Will we be able to attract them?

1600

The superintendent of education for Winnipeg, Manitoba, was quoted recently in the Winnipeg Free Press as saying that there is a teacher shortage and that salaries and working conditions must be enhanced in order to attract enough young teachers to fulfill the demand. In the absence of such a plan, the much talked about brain drain to the US and other provinces will include many of our enthusiastic and excellent young teachers looking for higher salaries.

There is expected to be a demand for 2.5 million teachers in the US in the next 10 years. The situation is so bad that in some areas such as math and science US boards are engaging in aggressive recruiting campaigns. Signing bonuses are not uncommon—up to \$30,000 in some cases—and teacher salaries are higher in many cases. Additionally, most states pay teachers to take on coaching and other extracurricular activities. Meanwhile, back home in Ontario teachers are facing increased workloads, belittling paper tests and impoverished resources.

If the current funding formula does not address this situation, we risk losing our best and our brightest teachers. Clearly, unless the government starts directing funds towards making Ontario teacher salaries more competitive, Ecker's assertions about creating an excellent system will ring hollow. Attracting and keeping good teachers is a critical element of school reform, an element that this government does not seem to understand.

Mr Halikas: The Conservative government is publicly patting itself on the back as it advertises the present prosperity in Ontario. There is no doubt that many Ontarians are prospering. In fact, many bargaining groups in other sectors are negotiating reasonable and fair increases in wages as they share in this prosperity. Recently the auto workers, local mill workers and nurses have negotiated collective agreements that contain significant increases in wages and salary.

The minimum increases negotiated in industry are in the range of 2% to 4% per year for multi-year contracts. Many teacher bargaining units have not had an appreciable increase in salary in more than eight years. The cost-of-living increase for 1999 was close to 2%. Teachers and educational workers have seen a reduction in purchasing power of approximately 10% during the 1990s. Teachers and educational workers, like all other workers in Ontario, are entitled to share in the present prosperity. However, nowhere in the funding formula is there money set aside to pay the reasonable and fair increases that may be negotiated by teachers during the next round of bargaining.

Presently, secondary teachers in Ontario teach six out of eight classes. They have less than one preparation period per day per semester. These preparation periods are very important to both teachers and students. The funding formula as it stands is designed to increase teacher workload to seven classes out of eight. This

means that in one of the two semesters teachers would have no preparation time. It also means that even fewer teachers would be teaching more classes with less time available to help students.

The EIC comments on this in their report, stating: "The secondary teachers' collective agreement has a workload assignment of six periods out of eight. This settlement is difficult to fund under the province's current funding formula and could lead to serious funding problems in the future."

During a time of prosperity in Ontario when many workers are negotiating wage increases and benefits, we have a funding formula which assumes that educational workers will not receive a share of this prosperity. Not only that, but their workload is expected to increase as colleagues are laid off. Is this the government's solution to the teacher shortage: to reduce the number of teachers required by increasing teacher work load?

Since all secondary and elementary teacher collective bargaining agreements expire at the end of August of this year, it is reasonable to assume that, like other workers in Ontario, teachers will be looking to negotiate reasonable and fair collective agreements which contain fair increases in salary, increases which many teachers have done without for more than eight years. Boards of education recognize this and would like to do the right thing, but are hampered by the fact that the government has refused to address the issue in its funding formula. The government, with the present funding formula, has backed both the school boards and the teachers into a corner and is attempting to avoid blame for a problem that is solely its responsibility.

Earlier I stated that the major problem with the funding formula is that it centralizes authority and decentralizes blame. Here is a classic example of this. The Conservative government made the decisions that have created major problems in Ontario's educational system, and now the government is trying to lay the blame for these problems on boards and educational workers.

Committee members, the government must accept responsibility for the mess that it created in education and must now provide the means to repair this damage through increased funding to education.

We thank you very much for your time.

The Chair: On behalf of the committee, thank you very much for your presentation, but we have no time for questions and comments.

Do we have any representatives from the Women's Place Kenora in the audience? If not, travelling plans have been changed quite a bit. The taxi will leave the lobby at 4:50 pm, so if everybody could be ready by that time.

With no further ado, this committee will reconvene tomorrow morning in Timmins at 9 o'clock. Note the change of time. Thank you very much.

The committee adjourned at 1606.

CONTENTS

Monday 7 February 2000

Pre-budget consultations	F-239
Ontario Nurses' Association, local 81	F-239
Ms Judy Carlson	
Kenora and District Chamber of Commerce	F-243
Ms Debbie Schatkowsky	
Mr Blair Hutchings	
Mr Pat Brett	
Mayor's Community Committee on Homelessness	F-248
Ms Sue Swaigen	
Township of Ear Falls	F-252
Mr Stan Leschuk	
Mr Geoff McClain	
Northwestern Independent Living Services	F-256
Ms Kristan Miclash	
Mr Wayne Ficek	
City of Kenora	F-261
Mr David Canfield	
Mr Bill Preisentanz	
Ontario Secondary School Teachers' Federation, district 5A	F-266
Mr Dave Rhind	
Ontario Public Service Employees Union	F-270
Mr Len Hupet	
Ontario Secondary School Teachers' Federation, district 5B,	F-275
Elementary Teachers' Federation of Ontario	
Mr Andrew Hallikas	
Mr Gary Gamsby	

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Chair / Président

Mr Marcel Beaubien (Lambton-Kent-Middlesex PC)

Vice-Chair / Vice-Président

Mr Doug Galt (Northumberland PC)

Mr Ted Arnott (Waterloo-Wellington PC)

Mr Marcel Beaubien (Lambton-Kent-Middlesex PC)

Mr David Christopherson (Hamilton West / -Ouest ND)

Mr Doug Galt (Northumberland PC)

Mr Monte Kwinter (York Centre / -Centre L)

Mrs Tina R. Molinari (Thornhill PC)

Mr Gerry Phillips (Scarborough-Agincourt L)

Substitutions / Membres remplaçants

Mr Howard Hampton (Kenora-Rainy River ND)

Clerk / Greffier

Mr Tom Prins

Staff / Personnel

Ms Elaine Campbell, researcher,
Research and Information Services



ISSN 1180-4386

Legislative Assembly of Ontario

First Session, 37th Parliament

Assemblée législative de l'Ontario

Première session, 37^e législature

Official Report of Debates (Hansard)

Tuesday 8 February 2000

Journal des débats (Hansard)

Mardi 8 février 2000

Standing committee on finance and economic affairs

Pre-budget Consultations

Comité permanent des finances et des affaires économiques

Consultations prébudgétaires



Chair: Marcel Beaubien
Clerk: Tom Prins

Président : Marcel Beaubien
Greffier : Tom Prins

Hansard on the Internet

Hansard and other documents of the Legislative Assembly can be on your personal computer within hours after each sitting. The address is:

<http://www.ontla.on.ca/>

Index inquiries

Reference to a cumulative index of previous issues may be obtained by calling the Hansard Reporting Service indexing staff at 416-325-7410 or 325-3708.

Copies of Hansard

Information regarding purchase of copies of Hansard may be obtained from Publications Ontario, Management Board Secretariat, 50 Grosvenor Street, Toronto, Ontario, M7A 1N8. Phone 416-326-5310, 326-5311 or toll-free 1-800-668-9938.

Le Journal des débats sur Internet

L'adresse pour faire paraître sur votre ordinateur personnel le Journal et d'autres documents de l'Assemblée législative en quelques heures seulement après la séance est :

Renseignements sur l'index

Adressez vos questions portant sur des numéros précédents du Journal des débats au personnel de l'index, qui vous fourniront des références aux pages dans l'index cumulatif, en composant le 416-325-7410 ou le 325-3708.

Exemplaires du Journal

Pour des exemplaires, veuillez prendre contact avec Publications Ontario, Secrétariat du Conseil de gestion, 50 rue Grosvenor, Toronto (Ontario) M7A 1N8. Par téléphone : 416-326-5310, 326-5311, ou sans frais : 1-800-668-9938.

Hansard Reporting and Interpretation Services
3330 Whitney Block, 99 Wellesley St W
Toronto ON M7A 1A2
Telephone 416-325-7400; fax 416-325-7430
Published by the Legislative Assembly of Ontario



Service du Journal des débats et d'interprétation
3330 Édifice Whitney ; 99, rue Wellesley ouest
Toronto ON M7A 1A2
Téléphone, 416-325-7400 ; télécopieur, 416-325-7430
Publié par l'Assemblée législative de l'Ontario

LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
FINANCE AND ECONOMIC AFFAIRSCOMITÉ PERMANENT DES FINANCES
ET DES AFFAIRES ÉCONOMIQUES

Tuesday 8 February 2000

Mardi 8 février 2000

The committee met at 0904 in the Best Western, Timmins.

PRE-BUDGET CONSULTATIONS

TIMMINS CHAMBER OF COMMERCE

The Chair (Mr Marcel Beaubien): Good morning everyone. It's 9 o'clock and I'd like to bring the committee to order this morning. Our first presenters this morning are representatives from the Timmins Chamber of Commerce. Could you please step forward and state your name for the record.

Mr Gilles Bisson (Timmins-James Bay): Chair, on a point of order while they're coming up: To the committee members, both the government and opposition sides, I'd like to welcome you to the city of Timmins, part of the riding of Timmins-James Bay. I'm sure we're going to have a varied group of people presenting from different parts of this particular riding. I look forward to the presentations, as I'm sure you do.

I want to let you know this is actually one of our warmer days, so those of you who have been complaining about the weather, I want you to know that we're thinking this is kind of warm. You should have been here about a week ago when it was -40. Anyway, everybody welcome and I hope you have a good time. If you're around tonight, we can probably show you around the town.

The Chair: Thank you very much, Mr Bisson. We have to keep on going on our travels.

Mr Bisson: Oh yeah, you just want to get the warmer weather. I know what you're like.

The Chair: We'll spend a good day in your kind city today. Thank you very much for the welcome.

Mr Kirby Williston: Good morning. My name is Kirby Williston. I'm first vice-president of the chamber of commerce. With me is our manager, Keitha Robson-Morrell. Unfortunately our president, Ross Stringer, is nowhere to be found right now, so I'll step in for him.

The Chair: On behalf of the committee, welcome. You have 30 minutes for your presentation this morning.

Mr Williston: The chamber of commerce represents a broad spectrum of the Timmins business community—commercial, industrial and professional—over 500 large and small businesses in the city. Since its incorporation

in 1949, the chamber has been recognized as the voice of business for the community.

The chamber is proactive in voicing our members' concerns with respect to local, provincial and federal government policy while actively addressing educational, civic, social and economic issues. It is in that role that we wish to address you today.

This submission provides an overview of a number of areas of interest for the Timmins Chamber of Commerce and its membership. The three categories of priority to the Timmins Chamber of Commerce are as follows: debt reduction; investment and infrastructure; and economic development.

Debt reduction: Eliminating the debt and getting the fiscal house in order must remain the number one priority for this government. The Timmins Chamber of Commerce appreciates the government's early action to pass balanced budget legislation and thanks the official opposition for the support of this bill.

Over the last number of years one of the provincial strategies has been to download certain costs and responsibilities to the municipalities. Provincial taxes reduce while municipal taxes increase. This has caused a reverse taxation situation that is unacceptable to the taxpayer and boggling to the municipalities as they struggle with their new responsibilities and funds to provide service.

The Ontario economy is strong but will not support tax increases. In an attempt to move beyond debt elimination and move forward to an increasingly competitive province with surplus budgets, the chamber recommends that no new spending programs be introduced and that any new initiatives must be financed with a reallocation of current monies. Business in this province is continually doing more with less and they expect the same from this government.

This government has been credited with education reform and yet four school boards—separate English, separate French, public English and public French—exist in our region. One consolidated system would no doubt reduce administrative costs and funnel more monies where they belong—in the classroom.

Investment and infrastructure: Living in northern Ontario, transportation and communications are essential needs. The Timmins Chamber of Commerce would like to thank the government for their proactive approach to

highway safety and the addition of passing lanes on many of the highways that surround our city.

There are some areas that need government attention in this budget.

Currently Timmins is faced with a telephone monopoly situation with both local and long-distance service. The local service is supplied by Northern Telephone, a Bell subsidiary, and long distance by ON Tel, an ONTC subsidiary. Previous application to the CRTC to have Timmins declared a high-cost service area has been denied. Current application by Northern Telephone to the CRTC, if successful, could result in an increase of a minimum of \$8 per month, making the monthly cost for local phone service in the neighborhood of \$28 to \$29. This increase does not include a component to lower the carrier access tariff to a competitive rate to make long-distance competition a viable reality once the CRTC deems the area open. These rates are a hindrance to both business development and retention.

Tourism continues to be a growth area for northern Ontario, specifically snowmobiling. There is a need for government structure around this industry through trail development, equipment and signage. Recently, the Timmins Chamber of Commerce lobbied MTO to make provision for a snowmobile crossing lane on the proposed bridge replacement on the Porcupine River. Their response was that they are not in the business of making such additions.

0910

Hospital funding and physician recruitment in this province needs to be addressed. As employers try to recruit a trained workforce, health care needs to be accessible and of quality. Physician loss to the US and non-location in rural settings is a growing concern.

The ONTC continues to struggle with its operations costs and product mix. Certain services subsidize others, with the sacrifice being service. The Timmins chamber feels that a needs assessment must be performed to ensure the viability of this entity. Business needs to be competitive, and the ONTC has lost that edge. A restructuring at all levels is required.

Economic Development: As discussed previously, the current reverse taxation is causing municipal tax rates to be unattractive when attracting new business.

While the unemployment rate in southern Ontario is currently at 6%, Timmins and many other northern communities hover at 11.5%. A climate that promotes job creation in all areas of the province needs to be established.

The Timmins chamber has been working on various initiatives that have the potential to bring economic gain to the region. Believing that Timmins is a regional hub, the chamber has met with Ron Barbaro, CEO of the OLC, and has had discussions with DM David Arnoff regarding future casino development in this province. While we understand that a business case must be built, opportunities such as this are of great importance to our area. Included in these opportunities are the proposed superjail and nuclear waste storage. The Timmins

chamber has made every attempt to ensure that Timmins is in the forefront in the pursuit of locating these major employment initiatives in this community.

Employment opportunities are needed; there is no doubt about that. Our youth are migrating for their education and are not returning home. Our local community college has noticed a continual decline in students over the last number of years. To engage our well-educated youth, our community must have opportunities for them in their chosen fields. Without economic growth and new industry development, these opportunities do not exist and we are left with an aging population.

Our community is currently driven economically by the resource industries. With a recent rise in gold prices, Timmins becomes more hopeful that future exploration will result. This exploration has been reduced to almost a halt due to slumping gold prices and the lack of exploration incentives that previously existed. These incentives are needed to keep mining in Ontario. We recommend that this government seriously look at implementing an incentive package that would encourage future exploration in the province of Ontario. Ontario already lags behind most other provinces that already offer a more attractive incentive package to encourage this type of development.

In conclusion, decisions made by government often tend to leave the north feeling left out, rejected and unaffected by change. Northern Ontario needs to have a larger voice and more consideration. A committee reporting to the Ministry of Northern Development and Mines could be pursued, with a representative from each of the municipalities. This advisory committee could address how policy affects northern Ontario. We feel that this committee would also serve to improve communications within the northern part of this province.

The Timmins chamber appreciates this opportunity to present our recommendations to the standing committee on finance and economic affairs. It is the hope of the chamber that these recommendations will assist you in your pre-budget deliberations. Thank you.

The Chair: We'll continue in the same rotation that we had yesterday. I'll start with the official opposition. We have approximately six minutes per caucus.

Mr David Ramsay (Timiskaming-Cochrane): Thank you very much for your presentation. To me it's bang on—you've nailed all the fundamental issues that are very important for economic development in northeastern Ontario. I represent the neighbouring riding here, and our issues are very much the same and in fact overlap many of those that you have brought forward today. One that is of particular interest to me, that at first glance would appear to be in the federal jurisdiction, I'm glad you brought up, because there is an opportunity here for our provincial government to help with the rebuilding of the telecommunications system in northeastern Ontario. I think many people in southern Ontario don't understand that we don't even have the basic tools to work with in order to create a business and to run a business.

The telephone issue is one prime issue. There are 7,700 households in the country, right across this country, that don't have access to a private phone line; 4,850 of them are in this area right here, most of them in my riding and a lot in this riding here, under the jurisdiction of Northern Telephone Ltd, as Kirby had said, a subsidiary of BCE. That's disgraceful. It's not only disgraceful, it's harmful for our economy.

How can you access the most modern electronic devices today, let alone not even being able to have an answering machine, one of the first basic tools that businesses started to use 20 years ago—a fax machine. Of course, having your children try to get on to the Internet, not only is it illegal to do that on a party line, it's downright dangerous, because if the neighbour has to call an ambulance, you have locked out that line. It's illegal for a very good reason, except that's just handcuffing the people in our area from developing through educational opportunities and certain economic opportunities.

In our riding, we have a Timiskaming-Cochrane telecommunications committee that has been working with all of the telephone company providers, and there are quite a few of them in this region. We're at the stage now where the CRTC has responded to this need, has ordered Northern Telephone to install private-line service within the next three years, but we are going to the provincial government for some assistance to help with this, because it's a \$25-million capitalization over three years. In order to keep the phone rates competitive, we have to have some government assistance for that capital project. So it's very important. I'd just like to say to the government members that application is coming, and I really appreciate, Kirby, that you have brought that up.

I have a few other things, but I'll defer to my colleague Gerry Phillips because I'm not sure how much time we have.

Mr Gerry Phillips (Scarborough-Agincourt): Thank you. I appreciate your thoughtful presentation. There are many questions I'd like to ask, but let me start with the implication of a casino. I gather the chamber has looked at that as an economic-development activity. One of the things I'm quite interested in is whether there is a net benefit to a community for a casino and slot machines, whether the amount of money that comes into the community is offset by the tremendous amount of money that leaves a community to go to Queen's Park from slot machines and from charity casinos, in that the government, just on slot machines alone, will take in about \$500 million to \$600 million down at Queen's Park from various communities. Has the chamber had a chance to look at the net impact—money in, money out—and determined that, on balance, you still think it's a good economic activity for the community?

Mr Williston: We've looked at a number of communities that have casinos, and it has all been positive. Today, we have people leaving this community to go south to casinos, so the money is going anyway. Queen's Park is getting their percentage, but they're leaving

nothing in Timmins. As a regional centre, we believe we should house a casino here.

Mr Phillips: Good. I'd love to see any information you've got on that, by the way, just because the ones that work really well are at the border. Windsor and Niagara Falls work extremely well, and I think 85% or 90% is US money. I'm interested in the impact.

Your first priority fiscally is debt reduction, as I understand your document. The government has already indicated its priorities over the next four years, and that's about \$5 billion on tax cuts, about \$2.5 billion on health care and about \$500 million a year on debt reduction. So tax cuts look like they're about 10 times what debt reduction is. Has the Timmins chamber any views on that as the priority?

Mr Williston: As we indicated, we see that the province is doing very well; economically, northern Ontario is not. If the tax cuts that have been put through so far have benefited the province, they haven't benefited this part of it. So let's get the debt down.

Mr Phillips: That's an interesting proposal. One of your recommendations here seems to me to be extremely sensible and one that any government of the day, I would think, would embrace, and that's your last recommendation on an advisory committee for northern affairs. Have the collective chambers brought that recommendation to the minister? I almost think that if I were a minister I would welcome that recommendation. I wonder if you've had a chance to advance it to the minister and whether there's been any response?

0920

Mr Williston: No, as a group of chambers we haven't done that. But at our annual general meeting we have a caucus with the northern chambers, so that will be brought up at that time. This is a recommendation only from this chamber.

Mr Bisson: Just a couple of things: First of all, I'm going to start with your conclusion because I think your conclusion makes a lot of sense. We need to find some way to increase the voice of the north within the cabinet, within the Legislature and, more importantly, even within the bureaucracy of government. The geography is that there are 10 northern members. As good as we are or as bad as we are—I think mostly good; I think we've attracted very good members in northern Ontario, speaking as one—we're still only 10 of 103. This is just not directed at Conservatives but the Liberal Peterson government and the Rae government, to make sure the voice is there. I think your suggestion is a good one. I would point out, however, that that did happen. The Peterson government under René Fontaine, who was the minister of the day, had such an advisory committee and so did Shelley Martel under the Rae government. That practice was not carried through with this government and I don't quite know why.

My only caution to the government is—I think it's a great idea, I think you should try to pick up on what the chamber has said here, but I think when you do it you have to do it also in co-operation with the local northern

members. Too often in these areas, because there are not the multitude of provincial offices and all kinds of things to help people, people end up in the MPP's office for almost everything. Often we're the people who have the connections with this group over here or this individual over there, so I think members would be able to play a role in that. If you do that, don't leave us out of the loop. I think that would be a wrong-headed thing to do.

The other thing you need to understand is that the north is very different politically. Not only did we not elect too many Tories up here, but we tend to be very non-partisan. Even though I'm a New Democrat—no, seriously, even though I'm a New Democrat, I know these two individuals. I don't even know what their political affiliation is. They work for the chamber of commerce. Normally, in southern Ontario that would automatically mean to say they're members of the Conservative Party. Up here I'm not so sure. We tend to be very non-partisan and we work well. It doesn't matter who the member is and who the chamber president is; by and large, we all have a common goal and that's trying to advance the benefit of our communities and generally the north. The north operates differently and I think you have to understand that when trying to put together these committees.

I want to come to the economic development issues because to me and to you those are the most important things up here. Everything derives from that, bar none. The government needs to understand that the mining industry has been a big part of what this economy is all about. As of late, we don't see the activity in exploration. That means to say we don't have geologists and prospectors in the field looking for new mines, as we've had in the past. To put it simply, as my friends here know, if you don't have people out in the field looking for new mines, the mines that are now operating eventually will come to an end and you won't have anything to replace them. That is very troubling. In our community, we've lost two mines in the last year: Detour Lake gold mines up at Detour Lake, north of here, and the Royal Oak mine. That's a substantial hit on this community and our region. We've lost probably 600 direct jobs, and the spinoffs, when you figure that out, are much higher than that.

The chamber was being very polite in their presentation here, and I commend them for that because I don't think we should come here and be confrontational. They talked about the importance of having incentive programs for mining exploration. The chamber knows, and I remind the government, that you eliminated both OMIP, which was to support exploration in mining in northern Ontario, as well as OPAP, which supported prospectors. I think the chamber is trying to say in a very polite way that those were very successful programs that resulted in the creation of new mines. I, along with them, would ask the government to look to restoring the budget to help those along. I had to make that plug because I think those programs are important. I agree with the chamber.

Now to my question: You get the same thing as I do. You have people walk into the chamber as I have people walk into my office who say: "I've got a great idea. I've got the energy, I've got the vision, but I just can't get the capital. I go to the bank and the bank says: 'That's a great idea but sorry, we're not going to secure your loan. We think it's a little bit too risky.'"

What kind of incentive programs do you think the government should be involved in in order to assist an entrepreneur in northern Ontario to get that business up and running? A straight loan? What would you suggest?

Mr Williston: I can say that I haven't been approached with that problem myself, Gilles. I am sure you have.

Mr Bisson: On numerous occasions. You are polite this morning.

Mr Williston: No, I'm not normally polite. The chamber doesn't have a position on that until they go to the table and talk about it. I cannot give you one.

Mr Bisson: Do you recommend—because one of the things that used to exist before was a loan type of program that existed under the northern heritage fund, where a small industry or business is able to go and borrow money. It's not grant money, it's money that you borrow and that you've got to pay back to the government. And often it's the critical capital that's needed to get the banks interested. Now, there used to be other programs under NOHFC and NODC, Northern Ontario Development Corp, that used to do that. I know of a number of businesses across the north that started up on those particular programs. Would you be in favour of seeing the restoration of some type of program that says that if I'm a small entrepreneur from northern Ontario who wants to get started and can't get money from the bank, some sort of program be set up where they can get loan money, maybe at a bit of a higher risk, get the cash to get that business up and running?

Mr Williston: Naturally, anything that increases the business or employment in this area we'd support. Whether it's loans or grants or whatever, or in conjunction with the federal program, I can't answer that. I don't have a position on it, but certainly anything that will put more money out there for entrepreneurs to start a business we'd support.

Mr Ted Arnott (Waterloo-Wellington): Thank you very much for your presentation. On behalf of the government side, I want to say that we are very happy to be in Timmins. Your basic point is one we agree with. We want the northern part of Ontario to benefit as much from the growing economy that we've been fortunate to experience in recent years in southern Ontario. We want you to experience that same kind of thing. So I hope that these deliberations taking place today, and yesterday in Kenora, will give the government the advice it needs to make changes in its budgetary policy to support economic development in the north.

You talked about the telephone issue, and Mr Ramsay made some very good points as well. I wanted to ask you if that proposed increase that is now before the CRTC,

resulting in rates of \$28 to \$29 for local service, would be a business line or a residential line?

Mr Williston: A residential line or any business line that has less than three lines coming into the business, so if you have over three lines there's no increase, but less than three lines you're paying.

Mr Arnott: So that may become a deterrent to business development. Mr Ramsay talked about a program that he's supporting. I know there is a program through the Ministry of Energy, Science and Technology that has supported some communities in terms of upgrading their telecommunications infrastructure such that it can be modernized, and I would hope that the application that would come in would be supported by the government. I just want to let you know that we'll try to follow up on that for you. My colleagues have some questions, so I'm going to pass over the microphone to Mr Galt.

Mr Doug Galt (Northumberland): Good morning and thank you for your presentation. It was very much appreciated. Your comments about the gold mines: I have a few shares and every time they go down, the way to recoup is that you're supposed to buy more. It's not working. Royal Oak dropped off the map unfortunately, one not too far from here.

Your comments about your feelings in the north about being left out, being rejected, unaffected by the change may be a little more than in the rest of rural Ontario, but that's a general feeling in rural Ontario, that a lot is occurring in Toronto and in the big centres. It is a little bit comforting to know that at least unemployment has dropped some, that there's more employment in the north. Because there is a boom in some areas of Ontario, at least it's there to help and be a bit supportive.

The question I wanted to ask you has to do with northern development and your comments about an advisory committee. You may be dead on with that, but this is a ministry that has a cross-functional activity as it looks and monitors the various silos of activity within the government. Its real purpose is to monitor what happens in each one and ensure that the north is looked after. It's been there through all stripes of government, so this is certainly not a partisan question but rather, is that ministry effective in what it's doing? When you're asking for an advisory committee, I'm beginning to wonder how an advisory committee would fit in with that ministry. That is its purpose to begin with.

0930

Mr Williston: Why we would ask for an advisory committee is because we don't feel we have any voice there when we have issues such as the spring bear hunt or Lands for Life or Operation Living Legacy, whatever you want to call it. There's very little consultation with the northern part of the province, where we're affected, where we live. We feel that a lot of the decisions are made by people in the south who don't know this region or what we represent or what we need to continue on. I guess it's a lack of input into decisions that affect us. We don't need people from southern Ontario telling us how we're going to run our operations up here. Tourism: We

need economic development here; we don't need to say that there are going to be all kinds of tourists up here. We're a long way away, and we know that. We want input into decisions that affect us.

Mr Galt: There's a tremendous amount of raw resources in the north; any value added would be very helpful. I don't think you're going to get into big manufacturing, that kind of thing. But if the government were to move in the direction of this advisory committee that you're suggesting, how would it be set up? Who would sit on it? Who would appoint? Would it be councils in the north? I'm searching.

Mr Williston: We struggle with that as well. It's not an easy decision. We indicated that the major municipalities in the north should be represented on it, the Sudburys, the Sault Ste Maries.

Mr Galt: Then would the small municipalities feel like northern Ontario does towards the rest of Ontario, "We're being left out, and we're not being considered"? Would they have that same feeling if you only got appointments from major centres?

Mr Williston: I believe it would be regional representation, as we have now, but you'd have the five main regions.

The Chair: On behalf of the committee, thank you very much for your presentation this morning.

COLLECTIF CENTRE DE SANTÉ COMMUNAUTAIRE FRANCOPHONE DE KAPUSKASING ET RÉGION

The Chair: The next group this morning, le prochain groupe ce matin, c'est le Centre de santé communautaire de Kapuskasing et région. Pour le Journal des débats, pourriez-vous vous présenter et nous donner votre nom, s'il vous plaît?

M^{me} Marielle Cousineau : Marielle Cousineau.

Le Président : Bienvenue.

M^{me} Cousineau : Merci et bonjour. Je dois vous dire, monsieur le Président, que ma présentation durera peut-être cinq à 10 minutes au plus.

Mr Chair, I'm listed on the agenda as being a municipal councillor. I am a municipal councillor; however, I am presenting on behalf of the committee that's trying to establish a francophone community health centre in and for Kapuskasing. I'm pleased to have the opportunity to speak with you on an issue which is important to the constituents of Kapuskasing and the surrounding communities. I will be addressing health care issues on behalf of the collective for a francophone community health centre.

I would like to share with you that the collective is composed of several members from the community, persons who are from different walks of life. I have attached to your document an executive summary of the proposal which we submitted to the government last April, and in the presentation that you have you'll see references to that document. Due to work commitments, the other members of our committee are unable to attend

this forum, so they have asked me to make a presentation on behalf of the collective and the community.

I should qualify my presence by telling you that first and foremost I am a member of the collective which is attempting to establish a francophone community health centre. I've been working in the health field for the past 21 years, and more specifically in the field of addictions. I'm the executive director of North Cochrane Addiction Services, which is referred to in the proposal and in the executive summary as the sponsor. This agency is a transfer-payment agency of the Ministry of Health and Long-Term Care. And finally, I should add that as a municipal councillor I chair the health committee of the Kapuskasing municipal council.

Approximately eight years ago the community came to terms with the fact that health care, and I should say primary health care, was practically nonexistent in our area due to a both chronic and critical shortage of doctors. While this problem escalated to the point where members of our community did not have appropriate levels of health care and consequently feared the health implications, a few members of our community came up with one solution which it was felt would to a great extent alleviate some of the problems encountered by our population and the local health care providers. To this day, Kapuskasing and the surrounding municipalities are still victims of this shortage of doctors, and we still believe that a community health centre would respond to the needs and gaps of our communities.

Given your role as members of the provincial Parliament, I am certain that you could have written my script in regard to the dynamics surrounding the doctor shortage. This being said, we would like to reiterate to you how this particular problem is affecting our communities from a health and financial point of view.

The vision of the collective would be to provide critically needed primary health care, health education, illness prevention and health promotion to special target groups of francophones, namely seniors, low-income families, men who work in the forestry and natural resources industry, children and youth. These groups have been identified for being at a greater risk.

Kapuskasing and area were officially designated underserved over a decade ago. Physician recruitment remains a major concern for our northern communities, and while serious attempts are being made to recruit and retain doctors, our municipalities are unable to compete with larger communities from a financial, recreational and social point of view.

For many members of our communities, not having a family doctor or not being able to access their family doctor is the rule, not the exception. A 1994 study reported that at least 25% of the population did not have access to a family physician and that a further 25% could not access physician services in a timely manner. The situation only worsened after that time. Last year our communities, which have a total population of 13,500, had five practising family physicians. Community members regularly report inadequate after-hours health

care, health education, outreach and poor continuity of care.

This already bad situation is particularly difficult for our francophone population, who virtually have no access to primary care services in their maternal language. If the doctor shortage is perceived as problematic, let me assure you that the shortage of francophone doctors is even worse. We have one francophone doctor, who we can assume will be retiring within the next few years, and one young francophone doctor who started practising in January of this year. These two persons cannot answer the needs of a 67% francophone population.

Coupled with the shortage of doctors is the fact that members of our community are inappropriately accessing services. Given the inability to access primary care services in a timely manner, a significant number of persons resort to using the emergency room at Sensenbrenner Hospital. Our study indicates that during a period of 12 months ending on March 31, 1998, there were 20,665 unscheduled outpatient visits to the emergency room of the hospital. This averages two visits per person per year. Ultimately, if you cannot access a family physician for whatever reason, you may and/or will need to access hospital emergency services if no other primary care services are available.

Notwithstanding the fact that this is an inappropriate use of health care resources, it is also a very financially taxing venture for our health care system. We believe that services usually offered in community health centres could respond to the needs of those seeking primary care and at the same time prevent some illness by way of education and health promotion. Consequently, we would benefit from a better continuum of health care, which ultimately would be more cost-effective notwithstanding the fact that our local doctors would not be overwhelmed as they are with their present workload.

0940

The distinct profile of our population is another factor which supports the establishment of a community health centre. A large majority of our population has behavioural and socio-demographic characteristics that augment the risk of health problems. These characteristics are better described as low income, isolation, low education, high occupational risk and advanced age. According to a Porcupine Health Unit report on health status done in 1995, the Cochrane district rates below provincial averages in almost every risk category. As such, members of our catchment area are more likely to smoke, drink, suffer from pain and discomfort, report living in a dysfunctional family, lead a sedentary lifestyle, be overweight, suffer from respiratory and cardiovascular problems, have accidents and eat a nutritionally poor diet. This results in significantly high morbidity, cancer and infant mortality rates when compared to provincial standards.

We contend that a health centre with appropriate primary health care services would help our citizens lead

healthier lifestyles and therefore decrease the rate of health problems in our catchment area.

The project that we submitted to the Ministry of Health last April included a comprehensive plan for the delivery of primary health care, health education and promotion, illness prevention and community development.

The team would be staffed by a family physician. We have reason to believe we may be able to hire a salaried physician without difficulty. Our staff composition would also include three nurse practitioners, a registered nurse, a social worker, a health promoter, a community worker and administrative staff. I would also like to point out that the existing social service agencies are supportive of our project and are prepared to co-operate, especially as it relates to the delivery of services. A typical example could be to have a prevention worker from the local children's services or again an addictions counsellor specializing in work with seniors working on the CHC premises or delivering services in co-operation with CHC staff.

We know that, health-wise, a community centre would fill the gaps and enhance our population's quality of health. We know that, financially speaking, our proposal saves the system money in the short and the long term. I think we would all agree that the most important thing in life is good health. If we do not have that, then we have nothing. Therefore it would only make sense, when you deliberate on the priorities of our province, that you conclude that health matters are a priority and furthermore that cost-effective health care services must be implemented in our province.

The Chair: Merci beaucoup. We have approximately six minutes per caucus, and I'll start with M. Bisson.

M. Gilles Bisson : Merci beaucoup, monsieur le Président. Marielle, merci pour ta présentation. J'espérais que la présentation aurait pu être faite en français pour démontrer le fait de la francophonie dans notre région, mais je comprends que tu as choisi de la faire en anglais pour t'assurer que les membres du comité peuvent comprendre ce que vous voulez dire sans passer par le traducteur.

There are a couple of things I want to raise that I think are important, if I can have the attention of you government members for a second, Doug and Ted. Thank you.

The government members had the benefit of getting a presentation from this individual, who is one of the key players in the development of this project. I just want you to know that this is not a frill or something we would like to have just because it is a good idea. There is a real, acute doctor shortage problem in the Kapuskasing area, and that includes Moonbeam, Fauquier, Mattice, Opasatika and all the communities between.

What they are proposing, I think, as you well understand, is a model that could end up costing the government less money than we are paying now, because what she is saying is true. We have people who have to run into emergency wards every time there is something, not because they want to be there but frankly because

there is no other choice. Just south of Kapuskasing and just north of here is a community known as Smooth Rock. As Marielle well knows, a community health care centre was established there, I guess, in René Fontaine's time, to give you some credit. It is immediately adjacent to the hospital. They only have one doctor in that community. If we could get more, that would be really great. What it allows is to take some of the pressure off that doctor so that he doesn't burn out, because he has to worry about making sure that the primary health care is given within the hospital. He's also the chief of staff and the physician who takes care of everything. Having it located in the way they did in Smooth Rock Falls is a really good complement.

I just want to add that one of the critical things to this is we need the government to move on the nurse practitioners issue, because in Smooth Rock Falls they're operating with nurses and they would like to be able to get nurse practitioners into the system. I know in Kapuskasing that it's part of the vision to allow nurse practitioners to practise within the centre. We've recognized nurse practitioners as a health profession through the Health Professions Act that was enacted I guess under our government, but the issue that now remains is that of funding, how we pay for these people and, as a debate, do we do it out of the OHIP pool or should it be out of the Ministry of Health budget? I urge the government to really try to bring to an end this dossier that's been going on for so long around nurse practitioners, because it would be a really natural fit with this particular one.

There's one thing maybe you can expand on. You touched on it somewhat in your presentation, but I think it's something that needs to be said because it goes back to the core issue, and that is that the mortality rate in northern Ontario is higher as compared to the south. About two or three weeks ago, as my good friend Mr Ramsay would know, there was a report on the CBC looking at mortality rates across the province, and northern Ontario stuck out like a sore thumb as compared to other parts of the province.

Many people in the health professions field—maybe I can get you to comment on this—start to recognize that part of the issue, yes, is we tend to have industries that are harder on people in the sense that working in a mine is harder on your health than, let's say, working in a bank on Bay Street. The other issue is, yes, people tend to smoke more up here.

But one of the big issues they're starting to recognize is access to health care service, because often what happens if you live in Timmins or Hearst or Kap or Moonbeam, if you don't have a doctor to get to, you say: "Well, I think I'll wait. I'm probably going to be okay—I'm not feeling so well. Oh, God, it's full blown." Now I've got a life-threatening disease, where if I had caught it earlier maybe that particular disease could have been averted.

The second issue is once you come in to see your doctor, often what ends up happening is you have to wait an increasingly longer time to get to see our specialists.

As a matter of fact, this morning my wife is to see a specialist. It has taken her something like four weeks to get an appointment from the time that the doctor said, "Hey, we'd better get this checked," to the point that she was able to get an appointment. Four weeks was almost record time, considering what the situation is. So it's a real issue up here. When they come forward and they talk about the need to put together a health centre, it's looking at all of that and saying, "We don't have only a problem where we're burning out our doctors and people can't get access to services; people are dying a lot quicker."

Part of the speculation, and it would be interesting to do some really good studies on this, is that immediate access to health care services seems to be one concern. Maybe you can comment on that a bit.

Ms Cousineau: Yes, definitely access is a primary concern, but just the lack of primary health care, you know, not being able to access information that would help you prevent illnesses, is a major concern. Of course, the doctors are not able to provide us with that information, given that they are so busy.

I went to my own family physician, whom I have been seeing for the last 15 years; one day I went in, I had three problems and he told me I was to discuss two and then I was out of there. I stayed there for two minutes, and the funniest thing is you always keep the worst for the last, so he never did find out what the actual real problem was. It's that kind of situation that oftentimes people are put in, where they cannot spend quality time with their physicians because they are just overworked. We have five family doctors for a population of 13,500. I believe that the rates usually are one doctor for 2,000 people, supposedly.

Mr Bisson: Actually, about one for 400 in southern Ontario.

Ms Cousineau: Well, we're not—

Mr Bisson: It's just the case.

Mr Galt: He's wrong.

Mr Bisson: It wasn't meant as an attack on you, Doug. It's just that those are the numbers.

The Chair: I have to go to the government side.

0950

Mrs Tina R. Molinari (Thornhill): Thank you very much for taking the time to come this morning and make your presentation. We certainly feel privileged hearing from you, someone with the expertise that you have in the health care system.

We've been in the north for two days now, listening to people from the north with various issues. It reconfirms for us that one size does not fit all and there are varying needs in various communities. Certainly every presentation reconfirms that.

Some of the comments that you've made with respect to the primary health care—are you familiar with the pilot project that we have? I believe it's called primary care reform, where there's a team of doctors in a clinic, open 24 hours. It's similar to some of the comments you've made here on the delivery of primary health care, where you suggest hiring a salaried physician, three nurse

practitioners, a registered nurse, a social worker, a health promoter, a community worker and administrative staff. It's similar to that type of idea. Are you familiar at all with the program?

Ms Cousineau: I'm quite familiar with community health centres: the Sandy Hill Community Centre in Ottawa, Somerset West. I know all these community health centres. I know the francophone community health centre in Toronto. The model that we chose is not very different from that one.

Mrs Molinari: Do I take it from your comments, then, that you feel that sort of model would work in this community in northern Ontario?

Ms Cousineau: Absolutely.

Mrs Molinari: Thank you. I'll leave some time for my colleagues as well.

Mr Arnott: I think you've put together a very compelling case as to why there is a need for a francophone community health centre in this area. I should let you know that there are quite a number of communities that are experiencing a severe shortage of doctors. In the area I'm privileged to represent, Waterloo-Wellington, there are a significant number of communities that are underserved by medical practitioners. So it is a problem across the province, perhaps with the exception of the city of Toronto. Many of the southern Ontario communities, even small cities like Kitchener, have a shortage of doctors. The government recognizes this and we have over the years put into place a number, of incentive programs that quite frankly just aren't doing the job to attract the doctors to the communities we need.

The government is committed to working with the medical schools and medical students to set up a program whereby their tuition would be free if they commit to practising in an underserved community for, I believe, a five-year period after graduation. This is a program that the government is committed to undertaking. I think that will be of some assistance, although it will take a bit of time to kick in, where there will actually be doctors in the communities, but I'm hopeful that it will be a successful program.

Do you think it would be a positive thing to set up a program like that?

Ms Cousineau: Absolutely. But I think that only takes care of part of the problem. Doctors usually don't like to focus on primary health care. That, I think, is boring to them. They prefer dealing with more serious illness. They're not into doing health promotion or prevention, and that's what a health centre is all about. Hiring a nurse practitioner would, I think, to some extent take care of some of the gaps that we have. At least we would have better screening and, therefore, better referral to doctors when need be.

Ultimately, we're presenting a project that we feel would answer the needs of the community. It's not going to take care of all the problems, but I think it would tremendously help our situation right now. I'm not just talking about Kapuskasing, but the surrounding communities, which I think are probably in a worse position

than Kapuskasing because they don't have clinics or doctors.

Mr Arnott: I presume your proposal is with the Ministry of Health at the present time.

Ms Cousineau: It is, yes. It has been sent to Ms Loranger, who I believe is in charge of the public health branch. I believe the Honourable Mrs Witmer has a copy also. There are a number of people who have our proposal.

Mr Arnott: Now, when would you expect to hear a response?

Ms Cousineau: Ms Loranger did respond to the mayor of Kapuskasing and to the president of the community health centre recently. What they're saying is that they're in the process of developing a strategic plan, and of course I would imagine are keeping community health centres in mind. They've been developing this strategic plan at least since last April, so we certainly hope that when they are finished with the strategic plan they will be able to support community health centres, not just for our area but for the whole province. I think it's a very cost-effective way of handling some of the health care problems. Doctors have a special place in our health care system, in hospitals, but I think community health centres are your most cost-effective way.

I'd like to remind you, if I may, that approximately five years ago the Ontario Federation of Community Mental Health and Addictions Programs related to its membership, which we are part of, that 0.5% of the health care budget in Ontario was dedicated to addiction services and I believe maybe 3% of the health care budget was dedicated to mental health services. This is peanuts, I would say, compared to the budget. So I think it would be wise to invest in the community in terms of health. If we had 10% of the health care budget, we'd be really happy.

Mr Ramsay: Thank you very much for your presentation. In fact, I've been able to have time to go through your proposal, which is most excellent.

J'ai un centre de santé communautaire à New Liskeard. It's been very successful. I'm quite surprised, since your model is very similar, why the government has not given you approval since April. What are they saying to you right now as to why this hasn't been approved to date?

Ms Cousineau: Like I said, they're working on a strategic plan and I'm not so sure that they have decided whether they're going to continue funding a community health centre. I really don't know the answer to that.

Mr Ramsay: The Catch-22, though, as you know, is that when the Minister of Health announced the nurse practitioner program and initially funded it for \$5 million, the hiring of nurse practitioners was restricted to three specific bodies: native health centres, community health centres and nursing stations. In my area we only have one of those and that's the francophone health centre in New Liskeard, with their satellite in Kirkland Lake. So we have a program out there, and in our area here we have graduates from the nurse practitioner

programs who can't find employment. While there is no immediate answer to the doctor shortage situation, there are people now as nurse practitioners who, as you have stated, could really help alleviate the problems because now they have the training and the authority to deal with mothers and babies and ear infections and can prescribe for simple infections. So they can do a lot of work and take a lot of that work off the doctors who, as you have stated, are overworked.

We're kind of in a trap here. I hope the government will soon make that announcement. It's frustrating, as we have talked, as you have over the last year, about the needs up here. Then the minister asked Dr McKendry to make a report. He submitted his findings in November and now the minister has formed another committee to look at his report.

I'm not sure if the government members understand how bad the health situation is up here. I was wondering, from your communications with the ministry, do you have a sense of when you might be getting the word that either this model or another model would be the model you could go with to provide primary care in the Kapuskasing area?

Ms Cousineau: We did wait after the election, of course, because there needs to be time for people to settle down or whatever, but we will start getting very active. This is critical in our community. We will be talking to Ms Loranger. We will be talking to the government. This is important. We're not asking for much; we're just asking that the government help us establish proper health care services in our community.

In terms of nurse practitioners, we are aware of the proposal. The collective has submitted a proposal to hire three nurse practitioners. We would really like a community health centre but, given that call for proposals, we did submit for three nurse practitioners, along with other people in Kapuskasing who I believe have submitted to hire a nurse practitioner. Hopefully in the near future there will be announcements that will benefit our community.

1000

Mr Ramsay: The problem I see with the time the government is taking to try to find some sort of model is that maybe it ignores a local solution such as this that I think is appropriate for your area. I would hope that the ministry would have the flexibility to really appraise a proposal such as yours to say, "You know, in Kapuskasing and area this is probably a model that would work," because it comes from the local health care practitioners in the area. It's very comprehensive. What I like about it is that it's low-cost and that rather than just saying, "We need more doctors; bring them in"—the highest-cost health care providers—you want to establish a team of the most appropriate health care providers for all the various ailments we have. I think it's a great model and I'd certainly encourage the government to support it.

The Chair: We have one minute left.

Mr Phillips: I think it is a terrific model and it's one of the solutions we should be looking at. I'm going to give more of a statement than a question, unfortunately. The problem we run into, in my opinion, is that the Ministry of Health is in a conflict-of-interest position because they on the one hand are setting health policy and on the other hand are the insurance company, if you will. What we're finding is that right now the province pays about 60% of the cost of health care in Ontario and the private sector pays about 40%, and that is continuing to shift more to the private sector, less to the Ministry of Health. So they've got a conflict. They'd like to move cost off the province on to the private sector.

Second, we still have, to use the jargon around the ministry, the "silos" where there is a doctors' budget, there's a hospital budget, there's a drug budget. Rather than integrating those budgets to what's in the best interests of the community, we're still faced with that. I'm just telling you what I think you're running into. I think most professional people in the health area would say your model is what we should be looking at—a lot of prevention, a lot of integrated health care, even a lot of cost control. But I think we're running into these two things. The Ministry of Health has a conflict. It would be a bit like the insurance company being able to essentially dictate who pays the bill—and it won't be them; it will be somebody else. And we still have those silos.

So I'd urge you to continue to push your proposal because I do think this could end up being another one of the successful models we could use elsewhere. But I think that's the roadblock you're running into.

My apologies for not having time to ask a question, but more a comment.

Le Président : Au nom du comité, merci bien pour votre présentation ce matin.

CITY OF TIMMINS

The Chair: Our next presenter this morning is the mayor of the city of Timmins. I'll let the mayor introduce himself. I'm sure he's quite able to do that. On behalf of the committee, Your Worship, welcome.

Mr Victor Power: Thank you very much. My name is Vic Power. I'm the mayor of the city of Timmins. At this time I might say, bienvenue à la ville la plus grande, la meilleure et la plus chaleureuse au Canada.

On behalf of the municipal council and the residents of the city of Timmins, I extend greetings and welcome your presence in the city with a heart of gold.

The concept of a legislative committee travelling about the province to obtain opinions is commendable. That you are here as part of the pre-budget consultation process is even more commendable in this period of rapid change, escalating costs and downloading by the two senior levels of government.

I am certain that in its travels this committee has heard many suggestions, and most of them will cost the province money. It gives me a great deal of pleasure to inform you today that I am making a proposal which will

not cost money but rather will reduce demands on the provincial treasury. This in turn will help the government to eliminate the budget deficit and continue to provide tax cuts to all provincial taxpayers.

First, to provide some background: Successive provincial governments have made it known that they want more efficiency and cost-saving measures on the part of municipal governments. From former premiers all the way to Premier Mike Harris, the message has been, "Put your house in order before you come pleading poverty to Queen's Park."

Let me assure you that in Timmins, that message was not only heard but has been acted upon. This municipality has tackled the tasks of reducing costs and improving efficiency while balancing the need to maintain, and even improve, services. I am pleased to inform you that by the end of this year, Timmins will be debt-free. Perhaps in the question period we'll have a chance to talk about that.

We have reduced the municipal payroll, increased services in some areas and kept our taxes below those in many comparable municipalities. Just as taxpayers are asking Ottawa and Queen's Park to do more with less, our taxpayers are watching city hall with a critical eye. We welcome such scrutiny and the suggestions made by various groups from within and outside the city.

I am here today to tell you that to achieve its objectives, Timmins has accepted the theory of performance management and benchmarking. Both the federal and provincial governments are insisting that all publicly supported organizations have a performance measurement framework that also can be raised for benchmarking as well as for reporting to stakeholders and taxpayers. The overall intent is to foster administrative excellence in local government, but the by-product is cost savings to the municipal taxpayer.

As creations of the provincial government, municipalities receive a significant portion of their annual budgets from it. Any savings at the municipal level are therefore translated into direct savings for the province. Timmins has been analyzing its operations for years and through benchmarking will achieve even greater savings and improved services and efficiencies.

All of which brings me to the point I wish to make today: There should be an incentive for municipalities that achieve the standards desired by the province. These incentives should be monetary in nature and come from the province. They would achieve two things: urge achieving municipalities to even higher levels of efficiency and service and spur municipalities that fail to meet the standards to improve their operations.

Benchmarking is a method of measuring a municipal service's process and performance and systematically comparing them to the performance of other municipalities to seek best practices. It is a technique for improving efficiency and effectiveness of work processes that has been developed and adapted by the private sector, the voluntary sector and the public sector. By comparing performance measures and processes, a municipality can

increase its awareness of where and why to improve, what to improve, how it might improve and how much to improve.

Benchmarking takes time and resources. A municipality that commits itself to the concept must make the people available who have the authority to implement change. They must be the people responsible for the process or service and must be willing to challenge the agreed-upon common wisdom. For municipal councils to commit the required time and resources, they must see benefits beyond those produced internally.

There are some municipalities that feel they are doing fine with their present practices and processes. They don't buy into the need for ongoing change, evaluation and improved efficiency. The diversity of size and range of local conditions that municipalities have to contend with in a province as large as Ontario create excuses for some to ignore benchmarking or to pay it lip service only. Thus, our suggestion is that the province provide incentives to those municipalities that wholeheartedly embrace the philosophy and meet or exceed the criteria for their population range. Also, there must be a form of encouragement for those who fail in their efforts. Providing compensation to municipalities that achieve the performance measurement standards will not cost money. Nothing will be paid out until after municipalities have reduced costs and improved efficiency, thereby reducing their demands upon the provincial treasury. We urge the province to implement a system of benchmarking for municipalities that will reward exceptional performance financially, which will in turn encourage participation, to the benefit of the taxpayers.

All of this is respectfully submitted, and we invite your questions.

1010

The Chair: Thank you very much, Your Worship. We have approximately seven minutes per caucus, and I'll start with the government side.

Mr Galt: Thank you for the presentation. How refreshing to have somebody before us who's not asking for money and various spending activities, particularly in the north, where we recognize there are more difficulties. It's similar to rural Ontario; not that different, but maybe a little more in the extreme.

I love your opening comments, welcome to "the city with a heart of gold." If the price goes up, it'll be even more welcoming, won't it?

I'm interested in your comments. As I sit here and think about what you're saying, it has an awful lot of merit. I think through probably what the province and federal governments, governments in general have been doing, it's been a reverse reward. Those who let their infrastructure deteriorate—I'm thinking of water and sewers right now—get so bad they come pleading to the government, "We need more grants to replace them," and so we reward them for doing a poor job. What you're saying is, reward those who look after that infrastructure efficiently and do a good job.

I guess I'm struggling—it's something like health—to get past this treatment of disease to have enough dollars for preventative medicine, which probably would be far more cost-efficient. How do you get past this point that we're now into of supporting municipalities that are in trouble and get to the point where you're rewarding them, and not letting some of them that are in big trouble because of poor management totally disappear from the scene?

A lot of our municipalities kept taxes down and they tell us they're the best municipality going, they've just been doing such a great job. Meanwhile, their infrastructure is in terrible shape. They kept the taxes down, and they're very proud of that, but they have a horrendous infrastructure debt. How do we bridge and get to what you're suggesting?

Mr Power: For one thing, you look at their debt load and what they've done about it. In our case, in 1991, with the inaugural address, I announced that we would undertake a program to reduce our debt to zero. At that time our debenture debt was \$16 million, and we've whittled it down to the point where in the year 2000, November 1, when our final debentures are paid off, we'll be at zero. So I don't think it takes a forensic accountant or an expert in business administration to see that this municipality has done something worthwhile. I think the government should recognize that and reward those who have done that.

That is not to say that we haven't made a lot of progress with our infrastructure. If you drive around the city, you'll see where we have done a lot of work, notwithstanding the fact that we have a very severe winter, which you might have noticed this morning. Our costs for snowplowing and snow removal are just out of sight, but you'll notice that even on the residential streets the snow is out of sight too. We have a lot of obstacles to overcome, but we are overcoming them, and I think we should be rewarded accordingly.

Mr Galt: A lot of what you're doing, setting at zero for your debt—as a province we set the deficit to a zero. That's just sort of stopping the debt from increasing. My hat's off to you and your council for having accomplished that, and I hope that because of that, come the next election, you're rewarded for those efforts. Certainly they're commendable and that's what all our municipalities should be working towards.

I think maybe my colleague has a question.

Mrs Molinari: It's interesting to hear some of the comments you've made and some of the recommendations that you're asking that the province—I wonder if you, as a municipality, have done any of the things you're asking us to do. I mean things like rewarding progress within the various departments. Was that something that you—

Mr Power: Yes. For a number of years we've had a program whereby if an employee brings in a positive suggestion that is cost-saving and efficient, and of course within the boundaries of safety, that employee is rewarded with a small cash award or other designations

that we apply to that employee. We have encouraged input from the bottom up. It's not a top-down exercise.

Mrs Molinari: I have some experience in that as well. One of the struggles that I recall going through when we were engaging in this process was that some of the union groups did not wish to participate in a board with a large deficit. What we did was call on all of the employee groups to find savings within their own departments and ways that they could do that. Of course, we had incentive programs in place for that too, but we found that there was some hesitancy in some of the union groups to participate in it. Did you find any of that?

Mr Power: We have excellent relations with the union groups, especially over the past seven years. We did have our problems seven or eight years ago, but that's behind us. We've moved on and our relationships are very strong right now. In fact, practically all of our contracts with our union groups don't expire until some time in 2001 and with one group, 2003. So I think we've made a lot of progress. We have a good rapport there.

Mrs Molinari: I congratulate you on that. If I have time, just two quick questions: Did you ever run a deficit, and what is your annual operating budget?

Mr Power: The city ran a deficit in 1990, I believe, but practically every year we've had at least a small surplus. I didn't get the last part of your question.

Mrs Molinari: Your annual operating budget.

Mr Power: The annual operating budget is about \$67 million, but with associated boards, it would be more like \$90 million.

Mrs Molinari: Thank you very much, and congratulations on the progress you've made. I think it's commendable.

Mr Ramsay: Welcome, Vic. It's always nice to be in your fair city of Timmins, and you certainly are to be congratulated for the management system that you have put in place.

I just have one question, because I know my colleagues have many they would also like to ask you. I'm wondering how you're doing on handling a lot of the downloading that has been given to you in this city, especially the highway system that you have inherited and the eventual reconstruction of the highway system that you've been given and how you're planning for that and if you think you'll be able to handle that when that day comes.

Mr Power: The only way we'll be able to handle the devolution of the highways will be with help from the province. In Timmins, as compared to other northern municipalities—and I can give you examples—we have been burdened with 88 kilometres of highways that heretofore we did not have responsibility for. This compares with other municipalities—I'm talking about the major municipalities in northern Ontario: Thunder Bay, Sault Ste Marie, North Bay and Sudbury—that have had either no highways downloaded or just a very few kilometres. We've had 88 kilometres. This is a tremendous burden.

The one-shot financing that we received a few years ago for that is pretty well gone now for maintenance; a

little bit left for capital. But there is no way that we'll be able to reconstruct and do the capital work on those highways without an awful lot of help from the province. We have made representations to the MTO on that, and we're waiting for a response. Of course, if that response is not what we would like it to be, we'll have to go to the Ministry of Northern Development and Mines and see what they can do.

Mr Ramsay: Thank you, and good luck on that.

Mr Monte Kwinter (York Centre): Mayor Power, I'm interested in your model. I'm just curious to know, how would you reconcile the benchmarking and how would you reconcile the performance management? I'll give you an example. We were in Kenora yesterday. They have a very special situation, everybody acknowledges, which is relatively unique, so their benchmark would have to be a little bit different. Then you'd have other municipalities saying, "My performance management criteria should be different than theirs because of my special situation," which is one issue I'd like you to address.

The other one is if you're going to compensate people for meeting their criteria, you're going to have to announce what that compensation is beforehand. My concern is that municipalities would look to that as saying, "We've got to get that and we will revise our particular performance based on getting that," and they'll just take that in as their total compensation, whether they merit it or not. Do you understand what I'm saying?

1020

Mr Power: I think the first part of the question was how do you compare Kenora with, say, Kingston or Kingston with Kincardine or whatever. I realize that every community is different, every community is unique, but I still think that if municipalities can show that they are reducing their debt load or have in fact reduced it to zero, automatically there should be a reward, because they've done something. Everybody has had huge obligations that have brought about debentures, but if you've done something about it, you've proved that you belong in the 21st century, and I think there should be a reward. The second part of your question I didn't follow. Could I have that again, please?

Mr Kwinter: The point I'm making is that you're going to have to announce what compensation you're going to get if you meet your target. It would seem to me that many municipalities could adjust their budgets to make sure that they do get that compensation. So that in fact it isn't compensation; they just take it for granted that they're going to get it because they have that ability to structure their performance and the reporting of that to make sure they get the compensation.

Mr Power: You probably have a valid point there, but surely with all the people in the Ministry of Finance, they should be able to devise formulas that would work. I can't answer that at this point, but there have to be people within the Ministry of Finance who could work out the proper criteria and rewards.

Mr Phillips: I appreciate your comment on the debt. As you took yours down, the province, since Mike Harris became Premier, has taken it up 25%. If you add in Hydro, it was \$30 billion. Hopefully your message can get through to them.

Municipalities now have assumed social housing and a large part of social assistance. That's of interest to us, because that was contrary to the recommendation that Harris got from his own Who Does What committee. They said, "Don't do that," but he went ahead and did it anyway. I'm just wondering how Timmins and the neighbouring communities are managing that so far and is it, as you look down the road, quite a workable thing and in hindsight you don't see any difficulties in handling the social assistance, social housing?

Mr Power: Mr Phillips, Timmins belongs to the Cochrane DSSAB and we're a 53% shareholder in that entity. The matter of housing has not been devolved as yet. At the present time, there are three different housing groups within that DSSAB area, Timmins being of course the largest. We have the Timmins Housing Authority, which also administers the Timmins non-profit housing. I might say that in the past three years we've spent an awful lot of money on repairing and renovating those buildings. Our buildings are in very good shape to be devolved to anybody. But the actual devolution hasn't taken place yet. There are only committees meeting now to see how that can be brought about, but it remains to be seen whether that's going to be an improvement or not.

Mr Phillips: Social assistance, I gather you've worked out an arrangement—

Mr Power: Social assistance is working. It was a seamless transfer. It seems to be working.

Mr Phillips: Good. So in your opinion, it's not a problem in putting it on property tax?

Mr Power: Here we have been assured by the executive director of the DSSAB that as compared to 1998 there will be no increase to the municipality in 1999 or 2000. I can't forecast what it's going to be like in 2010. I might not even be the mayor then.

Mr Phillips: I thought you were mayor for life.

Mr Bisson: I want to follow up on that, Vic. Are you running or not?

I want to respond to a couple of things that members of the government said, not in a combative way. A comment was made by Mrs Molinari with regard to the difficulties you had with your board getting the union to participate in a process to deal with what at that time was a financial crunch and their unwillingness. The only caution I give to people who sit on boards is, don't go to them only when times are tough. For years we've developed relationships at times where both the employer and the unions sometimes are a bit confrontational because of past practices, and all of a sudden things get tough and we say, "Jeez, how come you don't want to participate with us?" Well, they've had their head bashed in a few times; they're a little bit leery of getting up there and being stroked once again. So I think it takes a lot of

courage on both sides, both the employer and the union, to start those kinds of processes, and sometimes it takes time.

In fairness, in the city of Timmins I know at one point you had a very difficult time with one of the particular locals. Vic, you and I were involved in trying to mediate a solution to that, which finally in the end worked, but it takes a lot of work and it takes a lot of effort and it means sometimes that we've got to take our lumps on both sides.

Mr Galt made the comment—and I just have to react to this—that we're rewarding municipalities for letting go of their infrastructure by funding them when they fall apart. Remember, when it comes to sewer and water, municipal infrastructure by and large was a funding project of the province, which paid about 80% or 75%, depending on the programs. It's not that the municipalities let them go; they just don't have the wherewithal to be able to fund the kinds of projects that need to be done.

Vic, we've worked on a number of them—the Aunor, the Delnite and others—where we've gone out and got some dollars from the province in order to bring water and sewer up to standard. And I look forward to the Buffalo Ankerite that's coming on line, that we've been lobbying for for 10 years. So it's not a question of rewarding; it's a question that the province always played a key role in funding water and sewer. It's not a question where the municipalities didn't do their job.

I've got to come back to your idea because it's an intriguing one, but you need to explain it a bit more because I think we're having some difficulty on the committee trying to understand exactly how this would work. I agree with the concept. You're saying that those people who go out and do a good job of administering their municipalities should be rewarded and not penalized—and I think that makes a lot of sense—and those who are having a problem in being able to make the kinds of decisions that need to be made to make them accountable have to be sort of pressured a bit by maybe negative incentives or whatever it might be. But isn't part of the danger that if you reward the community to reach their goal and you give them extra money, it just resets the clock and starts it all over again, if you follow what I'm getting at?

Mr Power: Yes, Gilles. By the way, I want to congratulate you. I understand that you were the star of the show at the Chinese New Year.

Mr Bisson: I'm not going to get into that. You weren't with me there last night.

Mr Power: I want to get back to your question. We're talking fairness here. I'll give you an example: There are municipalities that have not done a good job on their landfill and their water and sewage system. We've done an excellent job on that. So we're not going there asking for a lot of money for that type of thing, other than that small project at the Buffalo Ankerite that you mentioned. We're not going cap in hand. But there are other municipalities that have neglected these things over the years and they're the ones that are going cap in hand to the

province, and chances are they're going to get something. So we're saying we've done our homework, we should get the grades.

Mr Bisson: But the part I'm having a bit of a problem with is that in the case of the city of Timmins, yes, you've done a good job in building up our infrastructure—water, sewer, roads and others—but that was because this city was successful, because of the work of the council, the neighbourhood committees, your provincial members, myself and Alan Pope before, in being able to lobby the provincial government to give us the dollars, and the municipality put up its share. I guess that's why I jumped in on Doug's comments, because in some cases some municipalities have not been as effective in lobbying the provincial government for their share of dollars. In fact, I asked last year to get the Ministry of Transportation's numbers about which communities got which money last year overall. The city of Timmins got a disproportionate amount of money as compared to anybody else—I shouldn't say that—which is good.

Mr Power: That's the luck of the Irish.

Mr Bisson: No, it's because you guys are doing your job. I guess the problem I have is that if we say we're going to give an incentive to those who reach the benchmark at the end and we give them some extra money, isn't the danger that they say, "OK, I've got some extra money. I'm doing really good now. Maybe I can go back to some of my past practices," and then you've got to start all over again? Or am I misinterpreting what you're trying to accomplish here?

Mr Power: I'll give you an example. When the infrastructure program comes out, and we expect it will fairly soon, we're going to have our share from the amount that we don't have to pay off in debentures any more. That's where our share is going to come from. We don't have to increase the taxes to participate in the infrastructure program. We don't have to borrow money. We're just going to take the amount that we would normally have paid in debentures and use that for the infrastructure program. So when we go looking for something, we've done our homework and we should be rewarded. We shouldn't have to say, "Please help us because we can't participate in this."

1030

Mr Bisson: So in fact what you're saying in the case of the city of Timmins, which has always been a big proponent of building infrastructure, is that if you're able to come up with your share, because you've done a good job managing your money, the province or the federal government should come up with theirs. That's what you're arguing?

Mr Power: That's right.

Mr Bisson: OK, I see; it's not so much on the operational. The other thing is on the DSSAB issue and the question of welfare. I've got to put this plug in because my friend Jean-Marie Blier and other mayors along the Highway 11 corridor would probably slap me if I didn't make this comment. What's happened with us in

the DSSAB is that the city of Timmins, by and large, has been a fairly good winner in this because we are the largest municipality in the area. What's happened is—I think I'm correct in this, Vic—that from the city's perspective your costs have not gone up in transferring over to the DSSAB, but in the case of communities like Hearst and others, they've seen an increase on their overall costs. So for the city of Timmins, because it was the largest one, it worked out. I know we're going to get into a bit of a thing with Vic here, but we do love each other in the end, I just want you to know.

Mr Power: Well, Mr Bisson, no municipality lost anything because of anything the city of Timmins did or did not do.

Mr Bisson: No, it's not a question of what you didn't do.

Mr Power: I re-enforced that at the last DSSAB meeting.

Mr Bisson: No, I don't mean that as an us-against-them thing. I just think the reality is that once you do these kinds of amalgamations across districts like ours—and I think, Ted, you understand what I'm getting at; you represent a similar type of riding with both rural and municipal—the smaller communities end up being a bit on the losing end of those kinds of deals because things tend to gravitate more towards the larger urban areas. On behalf of those communities, I think it's just fair that I point that out.

Mr Power: We don't mind you pointing that out, but I want to emphasize that the city of Timmins did not gain because other people had to pay more. Perhaps the reason they have to pay more is that they weren't providing as much in services previously, but we won't go into that right now. We don't want to see them penalized, of course. We supported a resolution where they asked that their CRF look after whatever their increase is. We supported that, but we don't want to be penalized because we have done our job.

The Chair: Your Worship, on behalf of the committee, thank you very much for your presentation this morning.

UNITED STEELWORKERS OF AMERICA

The Chair: Our next presenter this morning is the United Steelworkers of America. Could you please come forward and state your name for the record.

Mr Jim Kmit: My name is Jim Kmit. I'm the staff representative for the United Steelworkers of America for Timmins and the Kirkland Lake area.

The Chair: Welcome on behalf of the committee. You have 30 minutes for your presentation this morning.

Mr Kmit: I come before you today to speak to you on the effect of the closure of the Pamour and Nighthawk mine sites here in Timmins.

First, let me give you a bit of history. The Pamour ore body was first staked in 1909 but for a number of reasons was not developed. In 1936, Noranda Mines Ltd opened the Pamour location and in the mid-1980s began work on

a property off Nighthawk Lake. In 1988 the mines were purchased by Giant Yellowknife Mines Ltd and in 1991 Peggy Witte merged all of the mine locations into one, naming it Royal Oak Mines Inc.

The list of mines here in Timmins included Pamour, Nighthawk, McIntyre, Hollinger, Delnite, Aunor and Hallnor. My understanding is that Kinross Gold now owns all of these mines as part of their purchase which took place in 1999.

Pamour mine, Nighthawk mine and the mill were operated by Royal Oak Mines. This company was headed up by Ms Peggy Witte, who was the CEO of the company. My presentation to you will deal with the effects on people and the community when a major mining company is allowed to leave without any responsibility to those workers and to the community.

At the time the company was put into receivership, in the spring of 1999, there were approximately 250 individuals employed here in Timmins. PricewaterhouseCoopers, the company appointed to oversee the two mine sites and the mill, indicated that they would live up to the existing collective agreement and continue to operate the mine. They in fact did not continue to fund the existing pension plan, and the plan became underfunded. The issue of the pension is now being dealt with by our legal department.

What I believe must happen in these situations is that the Ontario government must pass laws in this province that stop companies like Royal Oak from destroying workers' pension plans. The laws in this province must be changed so that the pension plans are funded up front and/or companies must be legislated to put monies away to be sure workers are not shortchanged on monies owed to them from existing pension plans.

Ms Peggy Witte was allowed to rape the mines here in Timmins, take the profits and invest them in her projects in British Columbia and leave the workers with nothing. In addition, a short time after she and her company filed for bankruptcy, she became CEO of another mining company in the United States. So what occurs is that the workers and the community of Timmins get nothing and she continues to live a life of riches. Only a change in laws will stop this type of injustice. In addition to the pension issue, when the mines and mill closed, the workers received no severance and no termination pay. Again, only changes in the law will stop this type of injustice.

Companies should be made, by law, to set aside monies made in good times so that when situations such as what happened to Royal Oak occur, the severance and termination monies are in accounts and can be paid to the workers. In early 1990, the NDP government created the employee wage protection plan. In two steps the Tory government eliminated this program, under Bill 7 in 1995 and Bill 131 in 1997.

In addition, Royal Oak walks away from what I consider an environmental disaster. They, along with their predecessor companies, operate mines in the community and leave the environmental issues to the community and

to the government, to pay for those disasters they left behind. Law changes, again, are the only way to stop these companies from raping the land, making big profits and leaving an environmental mess for the taxpayers to take care of.

The government of this province must act immediately to pass laws that guarantee that companies like Royal Oak and people like Peggy Witte are held responsible to workers and communities for issues like pensions, severance pay, termination pay and environmental issues. I would ask your committee to take our message back to Premier Harris, that he immediately begin to draft new legislation to protect workers and communities from the injustice created by Peggy Witte and the Royal Oaks of this province and country. We would ask that he pass legislation to make all companies responsible for the issues that I have raised before you today. We would ask that he assure us as taxpayers that we no longer will have to foot the bill for these companies.

Presently, the vast majority of workers from Royal Oak are collecting EI, with very little hope of getting a decent job here in the community. Many of them have had to sell their precious possessions that they spent a lifetime to acquire. I'm sure Peggy Witte still has her big yacht and her personal items such as her homes and cottages. Why should she be allowed to keep these items and continue to live a life of luxury while the workers who made her rich have to sell off their possessions in order to just live? Why should taxpayers like you and me have to pay for her mistakes? Why should we have to foot the bill for the environmental mess she left behind?

When the company Royal Oak Mines Inc was making money, they should, by law, have had to put some away for the workers and the community. Please change the laws and stop this injustice.

I thank you for the opportunity to speak to you today.

1040

The Chair: We have approximately seven minutes per caucus. I'll start with the official opposition.

Mr Kwinter: I want to thank you for your presentation. I'm just curious. In your presentation you say that this site is now owned by Kinross Gold, is that correct?

Mr Kmit: That's my understanding. My understanding is that Kinross Gold purchased the sites, and included in those sites were all of the mine sites that I mentioned. They did so for approximately \$5 million near the end of last year.

Mr Kwinter: Does the principle of successor rights not hold that they are responsible for any of the labour contracts and things of that kind when they purchase it?

Mr Kmit: I'm not a lawyer, but I can tell you that the Ontario Labour Relations Act does in fact say that we have successor rights. Whether those successor rights include all of the workers who were working there at that time—the successor rights, from my understanding, and again, I'm not a lawyer, are that the union represents anyone who works at that site. Whether that guarantees that the 200 members who were steelworkers working at

those sites are the same 200 who will be there is a question that I'm not sure I know the answer to.

Mr Kwinter: Is Kinross actually operating these mines?

Mr Kmit: Not at the present moment. Kinross has said through the media—and I have meetings set up with Kinross on the 21st and 22nd of this month, because I've indicated to them that I want to sit and talk to them—that they probably wouldn't open the mine sites until the price of gold is somewhat higher than what it is.

Mr Kwinter: Could you also tell me about the environmental issue? I know that mining companies have to set aside funds, when they're through at a site, to rehabilitate it. Is that the issue?

Mr Kmit: The issue on the environment is, we probably don't know what all the environmental damage is, but all you've got to do is drive around this city and look at the open holes. Take a ride out to the golf course and be careful you don't step into one. Take a ride into Schumacher. The highway was closed for a long period of time because of the cave-ins. That's all part of the environmental issue, and God knows what else is happening under there. We don't know, and she isn't about to spend her money to find out. She's left the country.

Mr Phillips: You have your finger on a key issue, and obviously a very important one and one of the more dramatic ones, because it changes people's lives forever. It's something we have to think about. When the economy is growing, there are fewer of these things. When the economy turns down, there are a lot more of them.

Just to get myself clear on this, the reason that the employees were not paid their termination or their severance pay was that the company declared bankruptcy? Is that what happened?

Mr Kmit: That's right.

Mr Phillips: And you were left high and dry.

Mr Kmit: Everyone was left high and dry—the workers, the community, everyone.

Mr Phillips: As you point out, that's the fallout you now have because of the change in the law. Formerly there was money set aside for people like yourselves or your members where a company declares bankruptcy, because you're the ones who probably have the most direct, immediate impact. But the law was changed in 1995 and, as you point out, updated in 1997 or so. Previously, under the old law, if a company declared bankruptcy, your members would have been entitled to a formula, I think, on severance pay. Is that correct?

Mr Kmit: That's right.

Mr Phillips: What might that have provided to your members? Have you any idea?

Mr Kmit: I have no idea how much money that would have been. I'm sure it didn't set them up for life. I'm sure it was a limited amount of money, probably, and I'm only guessing, in the vicinity of \$2,000 or \$2,500.

Mr Phillips: It was several weeks' pay. As I think you've pointed out, this will be an issue not just for the

mining community but for other communities in the future.

On the pension one, what happened there? I would have thought that was one area where your members would have been protected.

Mr Kmit: There is some protection. Right now our legal department is handling the whole issue about pension, severance and termination. Where they are with that presently—they're handling that. Like I said, I'm not a lawyer. I think that's the only way you can handle these situations.

My point is, when these companies are making big dollars—and she was making big money, and investing it all in another mine in British Columbia—she should have had to put part of that money away for issues like severance and termination, and especially issues like the pension plan. The pension plan, from what I understand, was underfunded to a small degree prior to PricewaterhouseCoopers taking over in April, and then PricewaterhouseCoopers just let it continue not to be funded. Therefore the amounts of money in there are way underfunded from what they should be, and a lot of companies in fact do that.

I know that International Nickel—"International Nickel"; I guess I worked for them too long—Inco in fact funds its pension up front. I think all companies should have to do that. When we sit down and negotiate a pension plan, they should have to put the monies up front, not take that money and invest it in some mine in British Columbia that didn't work anyway. That money should stay in the community and should stay in the workers' pockets and be put away. When a company like that goes bankrupt—I mean, she walks away from a bankruptcy—I've got to be careful I don't get too emotional here. She walks away from this and within three months is sitting as the CEO of another mining company in the United States. All you had to do was read the article: She's going to save this mining company. I don't know how the hell she's going to save anything. She made one hell of a mess of this one.

The Vice-Chair (Mr Doug Galt): Thank you very much. We need to move on to the next party, but just before I do I'd like to read a statement to you, for your protection.

"While members enjoy parliamentary privileges and certain protections pursuant to the Legislative Assembly Act, it is unclear whether or not these privileges and protections extend to witnesses who appear before committees."

For example, it may very well be that the testimony that you have given or are about to give could be used against you in legal proceedings. I caution you to take this into consideration when making comments, because this is indeed all recorded in Hansard.

I'll move on to the third party.

Mr Kmit: Just to comment on that, I was raised in Burwash, so I spent 20 years there. If you don't know what Burwash was, it was a prison farm south of Sudbury. So that doesn't bother me.

Mr Bisson: In my years on committee, I've never heard a Chair actually read that off to a presenter. I just wonder what the heck that was all about. None the less, I'm not to going to speculate.

I want people, especially on the government side, to understand what the issue is here. This community, the city of Timmins and northeastern Ontario, by and large benefited greatly by way of the mining industry. We have a lot of good operators out there, and I think Jim understands that. We have people out here who run good mines, who take seriously their responsibilities, both to workers and the environment. But every now and then we get a bad apple, and Peggy Witte was one bad apple. Parliamentary immunity or not, I would say that outside this room.

What has happened in this case is that she took a profitable operation and basically said, "I'm not going to reinvest any money into it over a period of years to keep the plant up and running." She didn't spend the kind of money she had to in exploration; she didn't spend the kind of money she had to keep the plant operating, with the equipment in good repair; and she took whatever cash she could out of that company in order to speculate and eventually build what was the Kemess mine and some other ventures she had outside of Ontario.

I for one as an Ontarian say, "Yes, I understand in Canada we have a right, and that's protected by the Constitution, and rightfully so, to move capital across our borders within Canada from one province to the other." But the issue becomes that if you're taking money out of resources that are in Ontario without safeguards as to what happens to those communities that you're taking the resources out of, that's counterproductive to our province. What happened in this case was she really did a number on this mine. I would speculate that this mine could still be operating with fiscally prudent management. Unfortunately, because of what's happened in this particular situation, we've got 250 people in our community who are no longer employed and the spinoffs from that are quite disastrous.

1050

I just want to say to this committee that I know most of these people on a first-name basis. I used to work at this particular mine. That's where I'm out of, the McIntyre mine, which was the former Noranda Pamour group. I have a bit of a unique relationship with the workers because I know most of them on a first-name basis.

There is not a week that goes by that I don't get calls at home—in fact, two nights ago a guy I used to work with came by my door—and I hear the stories of what's happened to these people. They have lost all their severance pay; they have lost all money that's owed to them by way of wages, in excess of \$30,000 per employee. This particular guy who came to see me ended up selling his cottage. For 10 years this guy, with his family, tried to build a cottage so they can have a retirement home when they get older. The family has fallen apart. They've had to sell their assets. He's struggling to find

work. He works a little bit for contractors as time goes by, but really wonders what's going to happen when his EI runs out, because he's not able to find permanent work.

I got a phone call on a Saturday night at 10:30 from one individual Jim knows, because I called him about it, where the woman was in tears as she called me and said:

"My father told me when I was growing up that when he was a young man looking for work, he used to have to line up at the Hollinger and the McIntyre, hoping he could get a job in the morning during the Depression. I never thought I'd see the day, but that's what my husband now does every day. He goes out the door and he's knocking at everybody's door trying to find work so he can provide for our family."

Nobody wants to hire him. He's been in one place for over 25 years and has no papers to show for it. He's a competent, good worker, but no papers; a little bit older. He's been banged up somewhat by the industry—you know, it's the nature of the beast—and nobody wants to hire him. These are real stories.

I think what Jim is saying and what I want to echo is that we need to put safeguards in place that say that in cases where these kinds of atrocities happen, funds are set aside to ensure that the workers and the communities are not left high and dry. For example, under previous governments—it was started by the Liberal government and it was enacted and put together by us—the mine closure plan was put under the Ministry of Mines. In fact, Monte, I think you were minister at one point through that. The idea was that mines would set aside part of their profits so that in the event they close and go bankrupt, there is some money set aside so we can go back and fix the environmental problems that we may have. Now your government has come along, by way of regulation, and stripped that back greatly.

Our community is paying for that because we've got mines that didn't have closure plans. What happened in his case, at Royal Oak, is by the time the legislation was enacted and put in place and the deadline came for the company to put in their mine closure plan, Royal Oak never did it. They never did what they were supposed to do, and your government, from 1995 on, didn't take any action. I don't want to throw stones, but we need to have laws that address this kind of stuff, and I think we need to look at set-aside funds for the cases of employment severance and stuff. I don't know how you do that, because I'm sure we'll hear from the mine managers in the next presentation about how that would be counter to good business practices. But I think we have to challenge ourselves to do the best thing, and that is to make sure that our communities and our workers and the businesses that do business with these people are not left high and dry.

On the issue of pensions, I just want to say that I get the calls, like I said, on a regular basis, where people who have worked there for 20 or 25 years are really worried about what's going to happen when they retire. I would make the plea that we need to move to some sort of

portable pension system. If there is an adequate pension within a company, we'd have to have some sort of portable system that people are able to carry with them from employer to employer. Long gone are the days when we grew up and said, "One day I'm going to get a job at McIntyre and I've got a job for life." That's how I grew up. That's what we were expecting. Nowadays, young people going into the workforce—God, if they can get work for two years, they're happy. If they can get a job for six months sometimes they're happy. So we need to re-look at how we do things in today's context and have some sort of portable pension system that workers, employers and maybe the government pays into to make sure we have those retirement incomes for when people need to retire.

Jim, I know that you continue on. I'm just wondering one thing, though. Where are you now in regard to the severance issue? Are there any new developments?

Mr Kmit: Nothing new on the severance or the termination, Gilles, as of this morning.

Mr Arnott: Thank you very much for your presentation. You have very eloquently expressed the nature of your concern and I think you've represented your members very well in this. Certainly, speaking for myself personally, I would empathize with the plight of the 250 workers and their families and the community for this loss of jobs. There's no question that it creates a tremendous amount of disruption. We would hope that there should be government programs to assist with retraining and so forth. I would hope that there was some assistance from the provincial government in that respect. I would think there ought to have been.

I want to explore further the pension issue. You've indicated here that the company went into receivership in the spring of 1999. I was aware of that, but I assume that the company's difficulties were also partially as a result of the drop in precious metal prices, to some degree, that would have made some of their mines uneconomic. But certainly that's small comfort to the people who have lost their jobs.

You said that the pension has been underfunded somehow. Was the company making its required contributions up until that time, up until its serious financial difficulty, when it hit the wall?

Mr Kmit: My understanding is that, prior to it going into receivership, she in fact was already underfunding it. Then after PricewaterhouseCoopers took over and ran the receivership part of it, they didn't put anything into it. So it just became that much more underfunded. That issue, and I do say it in my presentation, is being dealt with by our legal department in Toronto. As of this morning, there is no update I can give you on that. I can give you our lawyer's name if you want to talk to him. His name is Rob Healey. He is our legal counsel in our Toronto office. He is taking care of that aspect of it. As I like to say to my members sometimes, that's way over my head. I got kicked out of kindergarten for not shaving.

Mr Arnott: Not only that, but members of the Legislature have to tread very carefully when it comes to legal

issues. If there's legal action contemplated or pending, members of the Legislature really shouldn't be making comments on it or getting involved in it. I think the caution that the Chairman gave you today was in your own interest, to try and make sure that you understood the situation.

I think you've made a good presentation. Members of the government will reflect upon your comments. I'm sure the finance minister will be very interested in what you've had to say today.

The Chair: Any other questions on the government side?

Mr Galt: If I may, Mr Chair. Thanks for the presentation. On the environmental issue, certainly we've come a long way environmentally. Some of the things you've referred to are long-standing environmental issues. I think of the days when they used to pile the ore on the logs around Sudbury and smelter it that way—

Mr Kmit: You're really showing your age now, I'll tell you.

Mr Galt: You had to follow a rope to find your house, was sort of the story they told. So we've come a long way. There are still holes. Today we're supposed to put gravel pits back with topsoil to take them back to a reasonable appearance, and similarly with mines. This one in particular—what is the environmental damage that they walked away from? Is there a lot of acid material? Is it sulphur that's in the air?

Mr Kmit: I guess the most obvious one—and you can talk to anybody who lives in the city of Timmins—is the cave-in issue. Right now we have a golf course that's caving in. We had a street in the community of Schumacher that was caving in. They've now had to hire a company to come up and drill holes, and I don't know what the end result of that is. Maybe Mayor Power can tell you more than I can.

Who paid for that? You know who paid for that: you and I. That's who paid for that, and we didn't do that. That was done by the mining company. Why should we have to pay for that? If monies were set aside for those types of things, they'd be paying for it. They're the ones who made the profit. You and I didn't, as taxpayers. We didn't make any profit. They made the profit. But they can do whatever they want with their profits, and all I'm saying is, take part of that profit, when they're in good shape.

Yes, the price of gold had some impact on it. But one thing about mining is, if you don't do exploration, you won't continue to mine. So you have to reinvest money back into your mine to continue to operate that mine. That wasn't done. So even though the price of gold, yes, had some impact on it, it was the fact that there was absolutely no drilling done to find more gold and all of the monies that were made at the two mine sites were shipped to BC for Kemess.

That is a direct hit on the workers and the community. It was the community of Timmins where the mine sites were. Why should she be able to take all that money out of here and put it somewhere else and have nothing left

here for the community or the workers? I don't know who paid for the drilling—I'm sure Vic Power can tell you—but I think it was the government.

The Chair: On behalf of the committee, thank you very much for your presentation this morning.

1100

PORCUPINE MINE MANAGERS' ASSOCIATION

The Chair: Our next presenters are representatives from the Porcupine Mine Managers' Association. Could you come forward and state your name for the record, please?

Mr Dan Gignac: My name is Dan Gignac, and I'm representing the Porcupine Mine Managers' Association.

The Chair: On behalf of the committee, welcome. You have 30 minutes.

Mr Gignac: Thank you very much. I don't think I'll take that long.

The Chair: I'm sure you'll be asked a few questions.

Mr Gignac: That's possible.

Mr Chairman, honourable members of Parliament, distinguished guests and ladies and gentlemen, as I said earlier, my name is Dan Gignac and I wish to speak today on behalf of the Porcupine Mine Managers' Association.

There are four main areas I'd like to discuss. They include employment, taxation, exploration and electricity. The provincial government can play a definite role in overcoming certain barriers to investment and can contribute to the prosperity of our industry and its stakeholders. Failing to address our concerns will only accelerate the decline of our industry in this country. Your attention and consideration to the points I am about to present is required so that our message is understood and seriously considered by you and other elected officials at Queen's Park.

On the employment side, the Porcupine Mine Managers' Association is comprised of individuals representing seven or so Canadian mining companies whose combined local operations directly employ about 3,000 highly skilled men and women. For those of you who may not know this, each direct job created by a local mining operation in turn creates another three spinoff jobs in the service sector. Therefore, in the Timmins area alone almost 12,000 people owe their livelihoods either in whole or in part to the mining industry.

At the provincial level this represents almost 107,000 people. Let me put this into some sort of financial and economic terms since it is the theme of this discussion. In northeastern Ontario approximately \$1.2 billion per year is paid in the form of wages, salaries and benefits to mine workers. This represents 75% of the entire \$1.7 billion spent by all mines in Ontario. In 1997 the average wages and salaries for an employee exceeded \$60,000. So from the perspective of provincial income tax as well as a goods and services tax, revenues from these high-paying jobs represent a significant contribution to the provincial

coffers, a natural flow into the next topic, which deals with the taxation issues.

The Ontario mining industry contributes approximately \$1.5 billion annually to government revenues. Only mining companies pay a thing called the Ontario mining tax, which currently stands at 20%. A promise had been made to consider tax relief for the mining sector by the government when the budget was, so-called, to be balanced.

Since that statement was made, a comparative tax review task force has compared taxes paid in six mining jurisdictions around the world, including the US, Australia and elsewhere. They find that the average corporate tax rate in Ontario is 45%, which compares quite negatively to those outside Ontario that stand at between 30% and 35%. The main reason for this difference lies within the uncompetitive Ontario mining tax. We recommend that the tax be reduced to 12%, which is essentially the same percentage rate as is paid in Quebec. The impact this tax burden has on our industry is manifested in the reduced return on investment and unfavourable fiscal environment basically for a high-risk, capital-intensive industry such as mining.

On the exploration side of things, Canadian mines compete on global markets for payment for their products. We're very fortunate to be blessed in this province with some of the most prospective rock formations and mineral potential in the world. A barometer for the condition of the industry has always been the amount of exploration activity and expenditures across the country. The higher the activity and expenditure levels, the better the health of the industry, and the better the chances also of finding and developing a new mineral deposit. Between 1996 and 1998, however, Ontario mineral exploration fell from \$195 million and leading the country to \$124 million and second to the province of Quebec. This \$70 million represents a 36% decline in investment.

From discovery to production, a newly discovered mineral deposit may take five to 10 years, or even longer, to have a mine built on it. An investment of several hundreds of millions of dollars is then required.

Access to lands is another key issue to the success of exploration. Under Operation Living Legacy, we recently saw the creation of 64 new parks and conservation reserves. We feel that inadequate attention was given to the mineral potential of these sites before they were removed from exploration. In fact, the entire process was uncharacteristically fast for government, and it is felt that some very vocal special interest groups helped fast-track the cause. The mining industry supports the Living Legacy initiative but feels we must maintain the right to be part of the process to properly evaluate the potential of these lands which are so important to our future.

Electricity is another area of concern. Mining operations spend about \$250 million per year on electricity in this province. In fact, my company, Falconbridge Ltd, is Ontario Hydro's largest single customer, spending approximately \$109 million annually. Ontario has the

second-highest industrial rate in the country for electricity. The current freeze on rates is certainly helpful.

The move to a competitive electricity market, in theory, is welcome to industry, but conditions for a competitive market do not exist at this time. Ontario is the only jurisdiction in the world to not split up the generating monopoly and advocate gross versus net load billings. These factors discourage new investment in generating capacity. Ontario Power Generation is using its market dominance and in fact has confirmed the spectre of rate increases. There is a definite need for a genuine competitive market to be created and the elimination of the generation monopoly.

In conclusion, and how the governments can help, the recession over the past few years, as well as the collapse in Asian and European markets, has had a significant negative impact on the operations and the sales price for our commodities. Metal prices, though some have recently posted some modest improvements, continue to be volatile; in fact, over the past year, they have reached lows unseen for decades. Copper and gold will probably never again see the prices realized in the mid-1990s. These global economic realities we reluctantly accept as the cost of doing business.

Government has shown, however, a willingness to help. We are appreciative of the legislation presented recently regarding property tax treatment of vacant land and facilities. Also the 1999 Ontario Economic Outlook and Fiscal Review contains a lot of good news such as the promise of tax reductions; the elimination or the cutting of red tape; moving toward a balanced budget; and the outlook for economic growth, employment, investment and inflation is good.

Mining is the main economic engine for 50 communities in Ontario. It's a wealth-creating, high-tech, high-productivity—in fact it's two times that of manufacturing—and value-added industry. We continue to invest significantly in employee training, safety, environmental protection and research and development. Unfortunately, the government's reluctance to act on taxation inequities and continued adherence to vocal southern special interest groups risks causing even further long-lasting damage to the industry.

Thank you for taking the time to consider these points. We, the miners of Ontario, offer our best wishes in your efforts to build a responsible budget that will help improve our industry and ultimately the quality of life for all Ontarians.

1110

The Chair: Thank you very much for your presentation. We have approximately seven minutes per caucus.

Mr Bisson: Your presentation, Daniel, was quite good, actually. I think it touches on a number of issues.

Let me say outright that I'm not only a northerner but a former employee of the mining industry—the talc industry, asbestos, gold and copper. I worked in different types of mines, and I understand far too well how important mining is to our northern economy. But quite

frankly, these are some of the best jobs in northern Ontario—high-tech, very interesting, very challenging, everything from production workers all the way to engineers and the skilled trades. There is plenty of opportunity.

My concern, however, is that those opportunities are becoming less and less. We have not seen in northern Ontario the net growth of the mining industry. In fact, we're seeing the mining industry become smaller and smaller. There are a number of reasons. One is technology being brought in. For example, the company you work for, Falconbridge, hires fewer people now than it did before, for more production. Part of that is that we've gotten better at doing what we do best, which is mining and processing ore.

I understand that we need to keep competitive and we have to invest in those technologies; I don't argue against that. But my worry is, as I look at new mining on the horizon and I look at the activity that's going on in the exploration industry, I'm really concerned, because we're not having the degree of activity in exploration that we need to have to keep people like you prospering and to get more of you out there to provide these really good jobs for northeastern Ontario.

If the government can do a couple of things when it comes to exploration, what should those things be, in order to assist the exploration community?

Mr Gignac: There are a couple of areas, specifically dealing with exploration, where I think the government can provide some help. One of them is in the staffing levels of its Northern Development and Mines offices. Often some of our exploration people go into these offices and have a very difficult time finding anyone to provide the service for them, someone to help them with either an inquiry or some help.

The other thing is that the way the work on the land is done has basically eliminated the prospector from the equation. The prospector was always the guy who was out in the bush, who was basically bringing the projects and the properties to our people for additional work. Some of the programs, the Ontario prospectors assistance program and a couple of others, have basically ended over the past few years and are in a serious state of decline. Therefore, without that first initial input from those prospectors, we aren't getting as many high-quality projects or properties presented to us for review.

Mr Bisson: I just want to echo that, because you need to understand that the men and women who do the prospecting go out and flaunt their projects. They get, as we say in the industry, a good sniff somewhere. They do some work in order to be able to prove it up and they go to these guys and others and say: "I've got a great property. Do you want to buy into it or form some sort of partnership?" It keeps the activity going. What we've got going on right now is that there are far fewer people out there doing prospecting because of the programs that have been cut, such as OPAP and OMIP, and just generally with what's happening.

I implore the government, you have to go back and revisit the decisions you made in cutting these programs, because in the end it means that operations like theirs are going to become less and less viable. For your tax base in the province and for us in northern Ontario, it's paramount that these people be kept as prosperous as possible.

I come to another point you made in the presentation. I never looked at it that way and I thought it kind of interesting coming from the mine managers, and that is the issue of trying to find some way to give an incentive on the basis of the wages paid by way of your employers and employees. I'm not sure that's what you were saying, but that's what I saw in it when you presented it. Maybe we can explore that a bit.

That is, mining, by and large, tends to pay well. It's one of the higher-paying industries in Ontario. It is not uncommon for a good miner to be making upwards of \$60,000 a year. So it's kudos to the industry and the unions for having come to that type of accommodation, and it's profitable for both parties.

If I heard what you were saying, you were saying that the mining tax that's charged in Ontario is higher than in other jurisdictions, coupled with the fact that we pay our employees more than other industries, and there needs to be some sort of accommodation given to the industry in recognition of that fact, to bring it into line with other jurisdictions. I'm wondering if we should pursue the idea of having some sort of sliding scale—not only for mining but other industries where employers pay employees higher wages—so that's reflected somewhere in their tax rate. I'm wondering what your thoughts on something like that would be.

Mr Gignac: Let me first of all clarify what I did say.

Mr Bisson: I was trying to lead you somewhere.

Mr Gignac: I know. What I did say was that there are a lot of high-paid, high-skilled people working in the mining industry. Approximately \$1.2 billion per year in the form of wages, salaries and other benefits—which include dental, medical and those other benefits—is paid to our workers.

The second part of your question is that—

Mr Bisson: It was something that I saw as you were going through—I don't think it's something that the mine managers have sat down about—the recognition of the fact that mining tends to pay higher wages but, conversely, it's one of the industries that has the highest level of taxation. You talked about a 20% tax rate here compared to Quebec. I'm wondering, should we have some sort of sliding scale at the very minimum that says that if you have an industry that pays employees above-average wages, that somehow be reflected in the tax rate? That's what I'm asking.

Mr Gignac: It's an interesting point. You're right, we haven't really given that much consideration in those terms. However, what we are asking is that the Ontario mining tax be based on some formula, not just an arbitrary figure that's thrown out there. That's all.

Mr Galt: Thank you for your presentation. The two coming back to back is most interesting. The government is about jobs, and that's the kind of thing you're suggesting.

As was suggested to us by your organization in Toronto, there needs to be a 12%—I'll go back to what you said. You recommend reducing this tax to 12%, the same rate as in Quebec. That rings a bell of what was said in Toronto. My question to them, and the same to you, is, how many jobs might that create in Ontario if that were done?

Mr Gignac: It's difficult to put a number on that. Anything that can be done to improve the bottom line of this industry will definitely improve, first of all, the investment in exploration. With a reduced tax, the economic picture in this country and the willingness for either individuals or companies to invest in Ontario will therefore increase. I can't give you a number of jobs this will create, but what it does do is open the door for additional exploration, which means additional mines, which in turn means more investment, more jobs and so on.

Mr Galt: I'm amazed at how accurate economists can be in predicting what this will do. Maybe that's more good luck than good management; I'm not sure. My economics went to 101 and no further. It's a great selling point for our government, and if it can create X number of jobs, then when they buy their gizmos and widgets, the sales tax plus their income tax might more than recover the loss of that tax on mines. So if you can come up with figures and have support for them, you might be amazed what it would sell, rather than just simply asking for a tax cut. The tax cuts that have been created so far have been for a specific purpose: to stimulate the economy, stimulate job creation. The end result is a net gain in taxation.

Mr Gignac: That point is interesting. I appreciate the heads-up on that and I certainly will do what I can to make sure that our people—

Mr Galt: The other one relates to prospecting company XY coming up with a great site. Company ZW is interested in mining there. It's a small community. We're talking of, say, 50 mine sites in communities. It's a one-industry town. We constantly read in the paper about a mine shutting down and the devastation to that one-industry town. We heard about environmental and all the other things, but those people are going to have to move from that community. The work is only related to that one industry that's now shut down. What should be done as you are making an agreement with this prospecting company and it's going to become a one-industry town? We're all excited about it at the time and it's probably going to run for 20 or 30 years, more or less. What should you people be doing and what should we be doing at that point in time? That's the time for preventative medicine to nip it in the bud.

1120

Mr Gignac: When we think of communities such as Timmins, which in my view has done and is continuing to do a great job in diversifying the local economy,

they're no longer becoming the one-horse towns you referred to that many smaller mining communities are. There's a big thrust and a lot of effort being put forward in these communities becoming diversified. I believe there are issues with regard to environmental liabilities and limitations now, provincially, to inhibit or restrict the creation of these new one-horse towns or single-industry towns. In fact, I don't think it's done any more. More and more our industry in remote locations is becoming more fly-in, fly-out. The communities that presently exist that support the mining industry are seen as feeders to these remote mining locations and will continue to do well based on how well the industry prospers and how well it does fiscally.

What we're going to see in the next few years, gradually and eventually, are fewer and fewer of these one-horse towns and more diversification in the cities. As I said, Timmins, Sudbury and other mining communities are continuing their work in diversification, and we applaud that. We think it's great.

The Chair: Mr Arnott, you've got a couple of minutes.

Mr Arnott: You suggested that the mining tax ought to be cut and that would stimulate economic activity. The government is probably predisposed towards supporting that philosophy at least. As you've said, there has been a commitment made, once the budget is balanced, to look at that. As Mr Galt pointed out, the Ontario Mining Association brought forward this idea last week when we were engaged in hearings in Toronto.

I just want to make sure I understand it. You said that the mining tax is 20% of what, net tax payable?

Mr Gignac: I believe it is 20% of profits.

Mr Arnott: That's over and above the corporate income tax?

Mr Gignac: Operating costs and everything else.

Mr Arnott: Quebec is 12%.

Mr Gignac: That's right. In fact, Quebec is seen now as being more mining-friendly, as one of the most mining-friendly areas in the world, actually, because of its fiscal policies, because of its promotion of tax credits. There's a variation of the flow-through tax issue that's still alive and doing well in Quebec. There's maybe a more proactive approach to mining in Quebec than in most other places.

Mr Kwinter: Thank you very much for your presentation. As has already been mentioned, last week we had a presentation by the Ontario Mining Association, and many of the points you've raised they raised.

I just wanted to comment on a couple of things you mentioned, one in particular being the fact that Falconbridge is Ontario Hydro's largest customer, spending almost \$109 million annually. When we sat on the hearings when the government announced that it was going to so-called privatize Ontario Hydro, the only area that they felt would maintain a natural monopoly would be the wires, the distribution system, because it made no sense to duplicate that. But one of the strong factors in going this route was to open up power generation to com-

petition. We made the point at the time that the sheer size of the generating arm of this new entity would be a barrier to entry for a lot of people and that they would dominate it. You're saying that this is exactly what is happening.

It would seem to me that if you had your choice you would probably like to look at the idea of even somebody like Falconbridge doing some cogeneration, where they would possibly provide their own generation capability and then use some of it to supply other people.

Mr Gignac: A few years ago, Falconbridge did just that, and looked at opportunities. However, the conditions at the time were not favourable to those sorts of things, and I'm not sure they've changed or improved in recent years. You are absolutely right: We still see this monopoly on the power generating side of things that is inhibiting or restricting the opportunity for investment in this part of Ontario Hydro's business by third parties.

We are also looking at opportunities to buy power at economic rates from other jurisdictions such as Quebec, Manitoba or even the States, and we're not seeing that coming very easily or very quickly. In fact, as I said in my statement, Ontario Power Generation has told us that we can expect increased rates.

Mr Kwinter: I want to ask you about one last thing, which you also mentioned in your presentation. We have good geology in Ontario, probably some of the best in the world. Notwithstanding that, there isn't the same interest in developing it, because of the fiscal situation. You're talking about Quebec. They don't have any natural advantage per se. It's really a matter of the government deciding that this is an important contributor to the economy and trying to do whatever they can to encourage, in the finest sense, the exploitation of that natural advantage. Would you say that's a fair comment?

Mr Gignac: I think that's fairly accurate, yes.

Mr Ramsay: Thank you very much for your presentation. I would like to talk a little bit about one area of the four points you made, and that is exploration. It is sad that this government has cancelled programs such as OPAP. That was a great stimulus to the small prospectors, who, as you and my colleague here have said, are really the people who find the mines and come to the big players like you to develop them and to carry on the work. We need to get some of those back, but I'd also like to have your opinion about the federal government's role, possibly, in bringing back flow-through shares.

I remember that 10 years ago in Kirkland Lake you couldn't get into a hotel, you couldn't rent a car or truck and the restaurants were full. It was because of all the tremendous activity that flow-through shares had generated. I think it's more important today to bring them back than ever before, because of the great attractiveness our technology companies are gaining in attracting investment dollars, and probably some of the speculative dollars that used to go into gold-mining shares. That investment and speculative money is being attracted to other industries and away from the ones that help northern Ontario.

I think we need to get some of those incentives back, to make investment in resource industries attractive. I think flow-through, with a better program, with some limits and caps—because it was abused last time; I understand why the government got rid of it, but I wish they hadn't and had maybe just put those controls in there. I wonder what you, as a person in the industry, think about this program.

Mr Gignac: I believe that initiatives such as flow-through—and I use that term loosely, because it's different now; at least the terminology referring to that process is different. Flow-through financing, though we in the industry admittedly saw a lot of abuses in the way it was managed and manifested, did have a positive impact on the industry. I know of at least five to six new operating mines in northwestern Quebec and northeastern Ontario, which are still operating today, that were the products of that financing process. It was so successful that when the federal government decided to reduce or eliminate that tax credit, which basically saw \$1.33 for every \$1 invested in mining exploration work come back to the investor, the Quebec government decided they would maintain and support a form of that flow-through financing, whereby \$1.16 for every \$1 invested in mining would come back as a tax credit to the person or organization that invested.

So you're right. Your point is well taken. Yes, there were some positive economic spinoffs in communities such as Kirkland Lake, Timmins—all across the mining communities in Ontario. We saw some good things happen. Some mines were found and they continue to generate a positive cash flow in the form of taxes and other benefits to the government. We think there's an opportunity there for a renewal of this program in a more controlled, less frivolous format.

1130

Mr Ramsay: So let's hope the federal government would do that against federal taxes.

Mr Gignac: I guess what I'm saying, Mr Ramsay, is that we shouldn't limit it to only the federal government providing that incentive. The province can also do something.

Mr Ramsay: All right. So you would be stating, then, that it is one of the competitive advantages of the Quebec mining industry that their government has brought in on the provincial tax side a type of flow-through system, and you would recommend that the Ontario government do the same?

Mr Gignac: That's right.

Mr Ramsay: Good.

The Chair: On behalf of the committee, thank you very much for your presentation this morning.

LUCIEN GAUTHIER

The Chair: Our next presenter this morning is Mr Lucien Gauthier. Bienvenue. Vous avez 15 minutes ce matin.

Mr Lucien Gauthier: Just to accommodate everyone, I'll speak in English. Hello everyone. As you know, my name is Lucien Gauthier. My family and friends call me Luc. The reason I haven't provided you with any printed material is because my presentation has to do with the family. At the present time, my family's predicament is still in front of the court, so I don't think it would be appropriate to comment in a written format.

I've read the other presentations and I have to say that mine will be a little different. First of all, I'd like to thank all of you for coming up to Timmins. I think this is one of the first times that you've come up here. I'm sure it will be appreciated by everyone who's had a chance to do a presentation. Also, I'd like to congratulate you because, in my opinion, the present Legislature has been one of the most productive that I've seen in the last few years.

I don't have a PhD, but I did study economics with Dr Francis Bregha at the University of Ottawa. I think the best way for me to explain my presentation is to say that the family unit and child care are very relevant to economics and the province and our ability to compete internationally.

Just recently, Pope John Paul stated that the best way to help people is to provide accessible quality daycare. If you look at my family, this is not quite as simple as it may seem. My daughter, France, was diagnosed with autism, a pervasive developmental disorder, in March 1995.

For those of you who are not familiar with autism, a pervasive developmental disorder, I have a pamphlet and I will make some copies available. To summarize, autism is a serious handicap where the child is often unable to express themselves and they experience emotional trauma.

With the assistance of the early childhood education program, France started to say her first few words at the age of four. It seemed to me like a miracle that a child who was so challenged could be helped. It seemed that France, my daughter, was going to be better. I have to especially thank the resource teacher, who spent many hours coming to the house and literally dragging the child away from the home. Eventually, the child became accustomed to working with the resource teacher. She attended the playgroup that we have here on Wilson, which has also been very beneficial.

Eventually, the child was placed in an early childhood education program at Northern College, and all of our efforts seemed to get some results. Unfortunately, because of a legal predicament, the moment was short-lived and the presiding justice ruled that the children both—

Mr Bisson: A legal what? I didn't quite catch what you said.

Mr Gauthier: I don't know exactly how to say it, but at the time my spouse and I were in court.

Mr Bisson: Oh, OK. Sorry.

Mr Gauthier: The children were four years old. They had never been with their mother, and she is seriously ill.

The justice at the time ruled that the children would be best with their mother and they were not allowed to see me for quite a length of time. France's condition quickly deteriorated. Add to that that she received a serious head injury while she was with her mother and she basically became like a wild animal. She lost eye contact, speech. She started chewing the walls, hitting and biting herself, and she was in a state of constant distress.

The details are public record in the case of Gauthier v Gauthier, if anyone would like to go to the legal library. I am presently negotiating with McClelland and Stewart to have my daughter's autobiography published. This goes into great detail about the child. At the present time, France and Mathieu are doing fine. It is questionable if France will ever speak again.

Some of you may question what this has to do with how the province of Ontario should spend money. On the other hand, some of you may see clearly that our children are our future. I cannot stress the importance of early childhood education programs, kindergarten and pre-school programs. I believe funding for kindergarten should be reinstated. Here in Timmins, we're fortunate. We do have kindergarten, but I think the school boards are swallowing the cost at the expense of other programs.

If you look at one school board in particular that has just been separated into the English and French Catholic boards, their old offices are presently empty. They took a good school, St Anthony's, and transformed it into an office. If you have the chance, drive by St Paul's school and O'Gorman Intermediate; they have a number of portables outside, which to me doesn't make sense when they had a school they could have put the younger children in. Once I informed myself, the reason was that they could not finance St Anthony's school as a pre-kindergarten, because the province does not provide funding for that. That school could not sustain itself. My grandfather took care of that school from the time Timmins was started. It had been renovated. There was a computer room downstairs. There was a beautiful playground outside. I think at the present time the school board is looking at renovating the offices again.

This is not to criticize anyone in particular, but it's to emphasize that the funding for schooling needs to be more clear. I think you have the same problems in Toronto. I know Timmins and Toronto are worlds apart, but we've had numerous articles in the newspapers up here about portables in Toronto. I think as you look back, the problem is not solely a provincial thing. The federal government has a lot to do with this. Not too long ago, Mr Mulroney was elected on a platform of providing national daycare for our country, and there were no more daycare spaces made available during that period.

1140

To be brief, I think those of you who are on the finance committee can look at the budget for the Ministry of Education and look at funding specifically for kindergarten and pre-school programs. As for the early childhood programs, they specialize for children who have special needs and they are not recognized per se. They

are funded through other agencies like Community Living and the Cochrane Timiskaming Resource Centre. I think maybe the whole issue of pre-school before grade 1 needs to be addressed and a plan has to be made.

The vehicle for this has been that for about six years now the province has had an initiative called Making Services Work for People. I've followed this in detail for the last six years with my daughter. At the present time, we haven't heard too much about it. In a recent letter that I received as a board member of Community Living, they talked about a complete overhaul of child protection services. This is long overdue. How it should be done, I don't have the answers, but if you look at the number of cases in Ontario where young children are not being taken care of, that whole issue has to be addressed.

One thing the Legislature has presently done is pass laws that severe neglect is also a form of abuse, which it never was before. Just in the last year the laws have been changed so that if a child is really severely neglected, that is considered a form of abuse. You don't have to hit the child, but if you lock him in a room and you don't feed him and you don't take care of him, that's just as bad.

That is half of my presentation. It's somewhat confusing for you, but if you look at the Ministry of Education's reports over the last few years and this initiative called Making Services Work for People, the recommendations that have been suggested are very clear.

I think the federal government must assume some responsibility too, and I commend the present provincial Legislature for hammering away at the federal government and trying to get its full co-operation.

The other half of my presentation has to do with employment. At the present time there's the Auditor General's report on the federal government and there's some scandal going on about how many dollars are being spent for job creation and whether they're really creating any jobs. Let me tell you, I worked in Ottawa for 10 years, sometimes right out of the Prime Minister's office, and what they're talking about is just the tip of the iceberg. As long as the federal government controls employment—and I know the province has tried repeatedly to gain this portfolio and gain control of employment. But when you all get back home and you talk to the other members of the Legislature, this is probably the most important factor in the Ontario economy right now. As an individual who is unemployed, if I have to go and search for employment I go to the federal employment office on Third Avenue. From my experience, having worked 10 years in Ottawa, those programs that they're spending a lot of money on are not really working. I guess you could compare those programs to the American model after the war period, where when certain members were elected, whether they were Democrats or Republicans, so many military bases or so much employment from national defence would be given to those districts.

You just have to look at the fact that people here in Timmins filed their income tax returns this year in Shawinigan, Mr Chrétien's riding, instead of sending

them here to Sudbury. When Mr Mulroney was there he built a large prison in his riding. When people are unemployed and they read in the paper that this much money that's to be designated for employment creation is being used as a slush fund, it's somewhat disheartening.

I have no criticism for you. All I have are words of encouragement that when you return to Toronto you all support Mr Harris and you continue to hammer away at the federal government to release the purse strings for employment and let each province conduct their own employment programs.

I could go into personal history. In the 10 years I worked in the government I saw a lot of employment given out and it was never on the basis of merit. Basically, people who worked in political campaigns or who were involved with the party in power were rewarded with this type of money to create jobs. I think the province of Ontario needs to make a plan, which is what you're doing right now. It needs to address the federal government's employment strategy again. It needs to look at all the current employment in Ontario, make an index and look and say: "These are the people, we have so many doctors, we have so many teachers, and here are the new fields of employment."

Now we'll touch on the first part of my presentation. There is a whole field today of caregivers, and this many involve someone who is in the first stages of Alzheimer's, someone who needs to be given assistance. It would deal with someone who has suffered an injury and is going through rehabilitation. You have a whole group of people who are challenged, like my daughter, and other people whom I work with at Community Living, and they need a certain amount of assistance to live independently. I think Mr Harris said that keeping someone in an institution cost \$60,000 a year. To keep my daughter at home, I think, costs the province about \$8,000 a year. I'm not telling you your business, but I think this plan has to detail the new forms of employment and they have to be supported.

In order for me to go to work, I need to get assistance from three different agencies. One of them is called Special Services at Home, another one is called Extend-a-Family and another one is called Access Better Living. I've had the caregiver hired through the three agencies and while working with my daughter get paid three different levels of salary. So one hour she's working she's making minimum wage, \$6 an hour; the next hour she's working she's making \$8 an hour; and then another hour she's working she's making \$13 an hour. It's pretty hard to keep someone at \$6 an hour when they can go work with other families or other people at \$13 an hour. This whole field of care, whether it be for seniors, for people who have suffered an injury, for people who are challenged or for children, needs to be addressed.

A case in point is my daughter, who has three caregivers to keep her in school during the day. It's too much for one person; they've split it into three people. She's not in a classroom; she's in a room by herself. They have a time-out room that's very much like a jail cell, and

when she is not acting appropriately she's given a time out in this room. Just to make a case in point, the position is called a teacher's aide, but she doesn't spend any time with the teacher and she doesn't spend any time in the classroom. She is a student's aide. She's there to help my daughter, and I don't mean to be critical, because the school has done some amazing things.

The Chair: You have one minute to wrap up.

Mr Gauthier: OK, that's good. Anyway, the school is doing amazing things. The little girl has not used the time-out room recently. They've started to be able to work with her. The other day she started to say her vowels, so once again the little girl is back on track.

To summarize—and I'll cut myself short here—and I think this is what you're doing by travelling over the province, you need to have a very clear plan. You have to look at employment and look at the different categories of employment and you have to look where there can be expansion and how that training can be provided to those people. You have a number of courses, from early childhood education to developmental services workers, and all these people basically provide care for individuals so they can live independently. I think there is a new initiative by the province to bring together all the colleges and universities here in northern Ontario and have them working under one flag, and not this college and this university working separately. I would like to commend, like I said, all of you because I think you're moving in the right direction.

I know it's not crystal clear and I haven't provided you with written material, but I think my presentation has given you a feeling for what I'm talking about.

The Chair: And with that, Mr Gauthier, on behalf of the committee, I would like to thank you for your presentation this morning.

Mr Gauthier: In finishing, are there any questions? Is there something I said that someone would like to make a comment about?

Mr Phillips: You did a good job.

The Chair: Thank you very much.

Lunch will be served in the dining room. It will be catered over here.

The committee recessed from 1150 to 1304.

COLLÈGE UNIVERSITAIRE DE HEARST

The Chair: Our first presenters this afternoon, la première présentation, est du Collège Universitaire de Hearst. Pour le Journal des débats, pourriez-vous vous avancer à la table puis vous introduire, s'il vous plaît? Bienvenue, et vous avez la parole, monsieur.

M. Jacques Poirier : Merci. Jacques Poirier. Je suis président du Conseil des gouverneurs du Collège Universitaire de Hearst. Je suis en présence de Raymond Tremblay, qui est le recteur de l'université.

Tout d'abord, pour ceux qui ne connaissent pas l'institution, je vais vous donner quelques repères historiques très brefs.

Le Collège Universitaire de Hearst existe depuis 1953. Il aura bientôt près de 50 ans. Affilié à l'Université de Sudbury en 1957 et à l'Université Laurentienne depuis 1963, il offre des programmes de baccalauréat en arts de trois ans dans cinq disciplines, soit français, gestion, histoire, psychologie et sociologie. Il offre aussi le baccalauréat spécialisé de quatre ans en administration des affaires. Les programmes menant à ces grades sont offerts sur les trois campus, soit à Hearst, à Kapuskasing et à Timmins. Il est aussi possible d'y faire ses études à plein temps autant qu'à temps partiel.

Depuis la fondation de l'institution, plusieurs milliers de personnes de la région ont profité de ses services. Plus de 650 de ces personnes ont obtenu leur baccalauréat au Collège Universitaire de Hearst. Dans la région qui va de Hearst à Smooth Rock Falls, près de 50 % des personnes qui détiennent des baccalauréats les ont obtenus en poursuivant des études au Collège Universitaire de Hearst. Notre institution a donc formé autant de gens pour cette région que toutes les autres universités de la province réunies.

En 1996, le district de Cochrane comptait 45 000 personnes de langue française. Ce groupe représente la moitié de la population de ce district et près du tiers des francophones du nord-est. Ces gens vivent surtout en français dans des communautés de petite taille à prédominance francophone. La population francophone de ce district représente près de 10 % de toute la population de langue française de l'Ontario.

Une des difficultés que nous rencontrons lorsqu'il s'agit d'offrir des services à cette population provient du fait qu'en plus d'être relativement peu nombreuse, elle est dispersée sur un corridor de plus de 300 kilomètres de long. À la population de langue française du district de Cochrane s'ajoutent une dizaine de milliers de francophones dispersés à travers plusieurs communautés du nord-ouest ontarien. Certaines personnes en provenance des communautés limitrophes de Hearst, soit Longlac, White River, Wawa et Dubreuilville, fréquentent le Collège Universitaire en dépit de ces distances.

Malgré le nombre extrêmement restreint de programmes offerts, le Collège Universitaire de Hearst répond à des besoins importants pour les gens de la région. Dans un sondage que nous venons d'effectuer, nos étudiantes et nos étudiants nous disent avoir choisi le Collège Universitaire de Hearst parce que c'est une bonne institution de langue française, parce qu'elle offre des cours près de chez soi et parce que ça coûte beaucoup moins cher d'y étudier que d'avoir à déménager ailleurs. En fait, pouvoir étudier près de leur domicile leur coûte la même chose que pour la plupart des étudiantes et des étudiants du sud de la province qui ont aussi la chance d'avoir des institutions à proximité de chez eux.

Il est bien certain que, pour offrir des services de bonne qualité à des petits groupes d'étudiantes et d'étudiants, ça coûte à l'université plus cher par inscription parce qu'on ne peut pas profiter des économies d'échelle que permettent les populations plus nombreuses. Pourtant, ça ne coûterait pas moins cher par

inscription si l'on avait à payer toutes les dépenses des étudiantes et des étudiants du nord—programmes d'études, logement, voyages, nourriture, divertissements—pour les forcer à aller étudier dans les universités du sud de la province. En plus, les universités du sud manquent déjà de place pour accueillir toutes ces personnes. Donc, les étudiants du nord risqueraient de ne pas trouver de place dans ces institutions.

Mais le pire, c'est que de forcer toutes nos étudiantes et étudiants à se déplacer vers le sud pour faire des études universitaires viderait le nord encore plus de ses ressources humaines. Il est en effet reconnu que la majorité des diplômés du Collège Universitaire de Hearst s'installent dans le nord en permanence ou y reviennent après avoir poursuivi des études supérieures ailleurs. Il ne faut pas oublier non plus que la solution de l'exil fermerait la porte de l'université à 50 % des personnes qui étudient présentement avec nous. Ces personnes ne sont pas mobiles pour des raisons personnelles ou familiales et ne pourraient donc pas aller étudier ailleurs même si on payait toutes leurs dépenses.

À tout prendre, cela nous surprendrait énormément qu'un gouvernement souhaite laisser tomber une institution comme la nôtre, ce qui ne ferait qu'affaiblir la région sans même entraîner de réelles économies, d'autant plus que même les institutions de petite taille comme le Collège Universitaire de Hearst ont un impact considérable sur le dynamisme et la vitalité des communautés qu'elles servent.

1310

Encore récemment, nous recevions une invitation du maire de la ville de Timmins, M. Victor Power, pour participer à l'élaboration d'un plan stratégique visant à diversifier l'économie et à créer davantage d'emplois pour les citoyennes et les citoyens de la région de Timmins. On oublie parfois que le Collège Universitaire de Hearst est justement l'une de ces entreprises qui contribuent à la diversification de l'économie et à la création d'emplois.

Cette entreprise offre des services de très bonne qualité. Nous en avons la preuve puisque nos diplômés qui poursuivent ailleurs pour se spécialiser ou pour faire des études supérieures réussissent très bien. Elle procure des emplois à plusieurs personnes hautement qualifiées, soit une vingtaine d'emplois à plein temps et une quinzaine à temps partiel, pour des détenteurs et des détentrices de maîtrises et de doctorats qui ne pourraient pas travailler dans le nord sans la présence d'une université. Ces personnes apportent des compétences importantes dans les communautés où elles vivent et travaillent. De plus, les activités de l'institution ont des retombées économiques importantes partout dans les régions de Hearst, Kapuskasing et Timmins.

Les gens de la région ainsi que le personnel de l'institution connaissent très bien l'importance d'une institution comme le Collège Universitaire de Hearst. C'est pour cela qu'ils lui ont assuré un appui indéfectible au cours des années. Entre autres, lors de la récente campagne de prélèvement de fonds pour l'aide financière

aux étudiantes et aux étudiants, nous avons recueilli, auprès des individus, des entreprises et des organisations de la région, cinq fois plus par inscription que les autres universités de la province en ont recueilli en moyenne.

Aussi, au cours des cinq dernières années, tout le personnel a accepté des réductions de salaire pour permettre à l'institution de mettre en place un projet d'amélioration de ses services, malgré les restrictions budgétaires qui, par un malheureux hasard, l'ont frappée plus durement que les autres universités de la province. Et cet effort se poursuit puisque les ententes collectives qui ont été acceptées pour les trois prochaines années sont extrêmement raisonnables. Elles prévoient que les salaires des années 2000-2001 auront rattrapé les salaires de 1992, donc, vous voyez, très raisonnables. Les salaires sont en moyenne de 20 % à 30 % moins élevés que dans les autres universités, pourtant les gens qui y travaillent sont aussi bien qualifiés chez nous qu'ailleurs.

Pour lui permettre de continuer son oeuvre et de progresser, et compte tenu des particularités et de l'importance de son rôle, le Collège Universitaire de Hearst a soumis une demande au ministère de la Formation et des Collèges et Universités pour qu'on lui accorde dorénavant une subvention de différenciation de 550 000 \$. C'est pour appuyer cette demande que nous nous présentons aujourd'hui devant votre comité, en espérant vous convaincre, comme nous le sommes nous-mêmes, que nous avons dans le Collège Universitaire de Hearst une institution importante, efficace, utile et très nécessaire.

Merci.

The Chair: Merci pour votre présentation. We have approximately six minutes per caucus, and I'll start with the official opposition.

M Ramsay : Bonjour, messieurs, et bienvenue à notre comité. Merci pour votre présentation.

I am very concerned about your presentation. I was certainly unaware of the grave financial situation that your university is in, and I was wondering if you could elaborate on how grave a situation it is to the survival of your school, the financial situation that you are in today.

Mr Poirier: I will let Raymond Tremblay answer since he deals daily with this problem.

M. Raymond Tremblay : Assez simplement, si la subvention de différenciation que nous avons demandée ne nous était pas accordée, notre université ne pourrait pas fonctionner plus d'une autre année ou peut-être deux autres années avec les réserves qu'elle a présentement.

Mr Ramsay: Well, that is very frightening. As you know, and as you've outlined in your presentation here, it's very important that we attempt to provide post-secondary education for our children in northern Ontario. One of the primary reasons we lose our children is that they go elsewhere to pursue that post-secondary education, and institutions such as yours are very vital and very important to our communities.

This has been supported lately through a report the provincial government had commissioned in regard to the shortage of doctors. Dr McKendry, in his report, has now recommended that a medical school be established in

northern Ontario, which absolutely reinforces your position that it's important to support our post-secondary institutions in the north.

Because of your location and because of the small enrolment, as you've pointed out, it's difficult to keep a small university financially viable, and you're right in trying to apply for this extra funding, because it's very difficult to run a university at the scale you're trying to do. I hope the government members have been convinced by your argument that it's vital that a university such as yours is preserved, because while it may be small, it plays a very big part in the life of northeastern Ontario and our future. I certainly hope the government members take this back and reinforce to the minister that you need this money.

I find it very interesting that you are so successful in your fund raising, which I think is proof also, receiving five times the amount in your fund raising that other universities do, of what tremendous community support you have. I'd be interested to know what percentage of your operating budget is made up of monies that you raise through your fund raising efforts.

M. Tremblay : C'est un très petit pourcentage. Tout l'argent qu'on a recueilli jusqu'à maintenant est allé pour un fonds de bourses aux étudiants et aux étudiantes. À chaque année, avant qu'on a créé le fonds fiduciaire d'aide aux étudiants et aux étudiantes qui ont reçu de l'aide du gouvernement provincial d'ailleurs, le gouvernement provincial a contribué 50 %. C'est un « matching fund » qui a obtenu la contribution du gouvernement provincial, et c'est seulement pour donner de l'aide financière aux étudiantes et aux étudiants qui ont besoin d'aide financière.

En général, à chaque année avant ça, on faisait des prélèvements de fonds, mais c'était toujours pour donner des bourses d'études aux étudiants et aux étudiantes pour encourager les études universitaires dans une région où il n'y a pas une très grande tradition universitaire et où les gens ne vont pas naturellement à l'université. Donc, on voulait essayer d'inciter plus de monde à poursuivre des études universitaires en leur offrant des bourses d'études.

M. Ramsay : Merci, monsieur.

M. Bisson : Raymond et Jacques, merci beaucoup pour votre présentation.

Je pense que, s'il y a un message qu'on peut donner aujourd'hui au comité, c'est l'importance de la demande qu'on fait de la part de l'université. Comme ils ont dit, ça fait plus de 50 ans, environ, que l'université est en place, et on se trouve dans une situation où, si on ne trouve pas des solutions aux problèmes financiers—ce n'est pas un problème que vous autres ne vous gérez pas. Le problème, c'est qu'on a besoin de l'argent pour être capable d'opérer les programmes nécessaires pour attirer les étudiants et donner la qualité d'éducation, franchement, qu'on doit donner. Présentement, si vous ne le savez pas, l'université est en train de faire cette demande.

Le problème est que, si on essaie de comparer l'université de Hearst avec Laurentienne ou Nipissing ou Lakehead ou l'Université d'Ottawa, c'est un peu

mélanger des pommes avec des oranges. Je pense que c'est la seule manière de le dire. Ce qui arrive, c'est que parfois quand on parle avec les bureaucrates, ou même quand je parle directement à la ministre, on nous dit, « Oui, Gilles, mais si tu regardes le coût par étudiant, basé sur les autres universités, l'université de Hearst est très bien servie. » Mais il ne faut pas comparer ces deux affaires-là ; ce n'est pas la même affaire.

L'ouvrage qu'on a à faire ensemble avec l'université—je sais que vous autres êtes en train de faire des démarches à travers la bureaucratie pour en faire la demande, et c'est quelque chose que je m'engage à faire avec vous.

Mais on veut sensibiliser les membres du comité au fait qu'il ne faut pas regarder ces institutions-là d'une manière égale, parce qu'elles ne sont pas égales. On n'a pas le nombre d'étudiants à l'université de Hearst à cause de notre géographie—c'est la seule université francophone de la province avec beaucoup d'histoire—pour être capable de la comparer avec Lakehead ou n'importe quelle autre université.

1320

Ceci m'emmène à ma question que je veux poser soit à Raymond ou à Jacques : Vous avez dit tantôt dans vos réponses à M. Ramsay qu'il y a vraiment la possibilité que, si rien n'est fait, l'université pourrait fermer ses portes. C'est quelque chose que vous n'avez pas trop dit publiquement jusqu'à date. Pourriez-vous peut-être élaborer un peu son importance ? Ce n'est pas quelque chose que vous voudriez mettre sur une pancarte ; ça va être contre-productif de l'autre bord.

M. Tremblay : Effectivement, ce n'est pas quelque chose qu'on va annoncer, parce que nous avons des étudiants et étudiantes d'inscrits dans nos programmes présentement. Ces personnes-là se sont inscrites en espérant pouvoir compléter leurs études universitaires chez nous dans les programmes de trois ans et de quatre ans. Nous devons être en mesure d'annoncer nos programmes deux ou trois ans d'avance pour intéresser les gens à venir poursuivre chez nous. Une fois rendues chez nous, il faut être en mesure de les rassurer que les programmes vont être offerts au moins pendant trois ou quatre ans après leur arrivée chez nous.

On ne voudrait définitivement pas semer la panique chez nos étudiants actuels, premièrement, chez les étudiants potentiels qu'on essaie de recruter pour venir chez nous qui sont présentement en 11^e, 12^e, 13^e année et qui pourraient dire : « Bon, l'université de Hearst, on est mieux d'éviter d'aller là parce que sa situation financière n'est pas très certaine et son avenir n'est pas très certain. » Donc, bien sûr, ce n'est pas quelque chose qu'on annonce.

Dans notre esprit à nous, il n'est pas question que l'université de Hearst ferme ses portes. Ça n'a pas de bon sens. C'est une institution qui est tellement utile et nécessaire que l'on ne peut pas concevoir qu'elle puisse fermer ses portes. Donc, ce n'est pas contradictoire de ne pas l'annoncer, mais on va vous le dire parce que je pense que le gouvernement a une responsabilité face à la

population. Ce que nous voulons communiquer comme message, c'est que de notre côté il est vrai que, à cause des conditions dans lesquelles notre institution travaille, avec une population peu nombreuse et dispersée, nous n'offrons qu'un nombre très limité de programmes. On a juste six programmes différents sur une possibilité de 100, 150 programmes qu'offrent les universités. On ne peut pas s'attendre à attirer toutes les personnes qui sont intéressées à aller à l'université dans le nord. On a juste cinq ou six programmes. Avec ces cinq ou six programmes que nous offrons, nous attirons déjà un pourcentage extrêmement élevé de la population étudiante universitaire.

Cela a des conséquences : on garde les jeunes chez nous ; nos jeunes peuvent rester dans nos familles et garder une vie dans le nord qui est intéressante et qui ajoute le dynamisme de la jeunesse.

M. Bisson : C'est un point qui est important et qui a besoin d'être fait. Le gros problème que l'on a ici dans le nord, c'est que parfois nos jeunes qui partent pour l'Université d'Ottawa ou de Toronto ou Western se font une vie dans ces coins-là et ne reviennent pas. Nous dans le nord avons besoin d'avoir le monde formé aux universités et aux collègues pour être capable de rester dans nos régions puis aider à développer notre économie, créer des opportunités économiques pour le futur. Le gros succès du Collège Boréal et de l'université de Hearst, spécialement de l'université de Hearst parce que ça fait plus longtemps qu'elle est ici, c'est qu'ils attirent les étudiants. Quand on donne l'opportunité aux étudiants d'étudier chez eux dans leur langue—c'est un point important—les francophones répondent à l'opportunité, et ces jeunes-là restent chez nous. À la fin de la journée c'est nous qui en bénéficions, ayant ces jeunes adultes formés qui sont préparés à rester dans leur région puis à participer dans l'économie avec les connaissances qu'ils ont bâties à l'université. C'est un point qui a besoin d'être regardé. C'est un investissement, ce qui regarde beaucoup aujourd'hui, mais à long terme c'est un investissement pour le nord de l'Ontario.

C'était mon « speech ». Tu peux faire des commentaires.

M. Tremblay : Je vais peut-être revenir sur ce que M. Ramsay disait plut tôt quand il parlait des circonstances dans lesquelles une institution comme la nôtre travaille. Avec de très petits nombres, c'est difficile d'avoir des économies d'échelle. Il est vrai que c'est pratiquement une mission impossible que de maintenir une institution universitaire dans les conditions dans lesquelles nous la maintenons. Je pense que ce n'est pas pour rien qu'il y en a juste une dans la province, et si elle existe encore c'est parce qu'il y a des gens dans la région qui sont déterminés qu'il n'est pas question de la laisser tomber.

The Chair : Merci, monsieur Bisson. On the government side, Ms Molinari.

Mrs Molinari : Bonjour et merci pour la présentation. I have a couple of questions, but first I'd like to make some comments on your presentation.

One of the things we've been hearing yesterday and today is clearly that decisions that we make as a government can't be a cookie-cutter approach and that one size does not fit all. We need to take the individual situations and look at them and how they affect each situation.

I thank you for all of the comments you've made in highlighting some of the difficulties and challenges you face with a small university. Some of the questions I had have already been answered because of questions from the previous speakers, and those are as to the viability of the program and how you're able to offer a diversity of courses with such a small number. With the six programs that I understand you said you offer, do you find that a number of students are able to gain from the programs you offer what they need from a university education, or are they in need of having to also pursue a different university for things that you may not be able to offer?

M. Tremblay : C'est bien certain que les gens qui veulent absolument des programmes différents de ceux que nous offrons et qui ont les moyens d'aller ailleurs vont poursuivre des études ailleurs dans d'autres universités dans ces programmes.

Dans le petit sondage dont je parlais où on a demandé aux étudiants et aux étudiantes pourquoi ils avaient choisi l'université de Hearst et comment c'était important pour eux d'avoir la possibilité d'étudier près de chez eux et de chez elles, ils nous disent que le plus gros désavantage qu'ils voient à étudier chez nous, c'est le choix limité de programmes. Même dans les programmes que nous offrons comme, par exemple, la psychologie ou le français ou l'histoire, les gens souhaiteraient avoir un petit peu plus de choix de cours que les cours essentiels que nous offrons présentement. Étant donné nos circonstances, nous n'offrons que les cours qui sont absolument obligatoires pour que les gens puissent compléter leur programme, dont ils ont absolument besoin.

Plusieurs de ces cours-là sont offerts sur un cycle de deux ans, par exemple. Donc, les cours ne sont pas offerts à chaque année. Alors, si quelqu'un a la malchance de manquer un cours une année, cette personne-là doit attendre trois ans avant de reprendre le cours parce qu'il ne s'offre qu'aux deux ans. Cela présente des problèmes d'organisation même pour nos étudiants et nos étudiantes.

C'est bien sûr que si on avait un meilleur choix de cours—c'est ce que nous espérons, à long terme, dans notre esprit au niveau de l'institution. Nous ne voulons pas nous limiter au choix de cours que nous avons présentement. Si nous réussissons à aller chercher un financement de base convenable pour assurer ce choix limité mais de base, nous espérons pouvoir offrir des programmes dans des domaines qui sont absolument essentiels dans notre région, par exemple, du côté des sciences forestières, qui serait un secteur tout à fait approprié pour la région dans laquelle nous nous trouvons.

Mrs Molinari : Thank you very much for your response.

The differentiation grant that you're requesting here as an annual grant—in your initial presentation, you stated

that if you were not given this grant, you have one more year of survival. My question is, would you be able to offer additional programs if that were given to you, not only being able to survive, which certainly we hope will continue to happen because of the unique service that you offer for the francophones? Would that money give you something to be able to increase some of the programs in forestry and other areas that you want?

1330

M. Tremblay : Non. On aurait besoin de financement supplémentaire pour offrir des programmes nouveaux. Du côté des sciences et des sciences forestières, il faudrait obtenir du financement supplémentaire approprié pour être en mesure d'offrir ces choses-là.

Mrs Molinari : Just to finish off quickly, you have been in communication with ministry personnel and staff already, requesting some of these issues here. I'm glad that there's been some communication happening there and I thank you again for bringing it to the attention of the finance committee, because I think it's important that, as a financial issue, it's also brought here and, hopefully, can be included in our report. It will certainly be helpful. Thank you very much once again.

Le Président : Au nom du comité, merci pour votre présentation cet après-midi.

M. Tremblay : Merci beaucoup de votre attention.

CROSS COUNTRY ONTARIO NORTHERN ONTARIO DIVISION

The Vice-Chair: I call the next delegation forward, Ken Gauld and Ambrose Raftis, members of the cross-country skiers federation for the northern Ontario division. We appreciate having you here.

Mr Ambrose Raftis: My name is Ambrose Raftis and I'm the president of the Englehart Nordic Ski Club. I'm here with Ken Gauld from the Kapuskasing club, Bob Blanchard and Don Robson.

Essentially, we work together as a committee with the northern Ontario division of Cross Country Ontario. The committee was established in an attempt to develop a little bit of political visibility. Cross-country skiing is not a mass sport but it's a sport that creates a lot of enjoyment and pleasure in lifestyle value for people in northern Ontario.

Ontario is lagging behind the province of Quebec and other areas in the development of recreational opportunities for winter adventure tourism. Additional investment and coordination are required if Ontario is to take part in this growing market. Ski clubs and other facilities have a substantial portion of the capital investment in human resources required to develop and maintain these facilities but they need assistance to move from what is currently a local community-based service into a broader winter tourism market. This paper is a preliminary discussion on how this can be done.

Like snow machine tourism, cross-country skiing requires extensive investment in facilities and machinery to compete for growing tourism industry. This project is

designed to aid ski clubs and other winter adventure tourism in northern Ontario to undertake the capital investment required to develop their facilities to a standard that would meet the needs of the travelling winter tourist.

This project would see setting aside funds within the heritage fund, or other government agencies, targeted towards the continued development of wilderness adventure tourism facilities. This development would take place over a five-year period. This application would see the setting aside of matched funds for marketing, facility updating and equipment replacement in northern Ontario.

Part of this funding would be used in the development and linking of Internet sites. This site would supply information to potential travellers detailing venues for winter adventure tourism. This would allow the single sourcing of information to people throughout Ontario and the world on winter adventure tourism in northern Ontario. This part of the proposal would require additional funding.

Understanding the market: Cross-country skiing is a lifestyle sport covering the full spectrum of ages from five to 85. Cross-country skiing is inexpensive and can be enjoyed at a variety of equipment and skill levels. Skiing, and particularly cross-country skiing, is one of the most effective aerobic exercises and helps those who discover it enjoy winter. Let's face it, we have winter four or five months of the year. It's about time we got good at it.

Cross-country skiing in northern Ontario is currently done at a community club level. Maintenance and development are done by volunteers who spend countless hours clearing, maintaining and grooming ski trails, often with outdated equipment. The current market serves only community-based needs, with little or no market exposure.

But people love to travel, and there is a lot more to northern Ontario than what you see from the highways. Travel is a large part of the winter adventure but travelers need to know where they are going and what will be there for them when they arrive. Few adventure tourists would jump into a car and travel 500 kilometers to a location, only hoping that they could find accommodation when they arrive. Winter travel tourism requires reliable information and confirmed reservations.

Over the last 10 years skiing has changed. With the introduction of skate skiing, cross-country skiing has now an even broader appeal to youth, teenagers and their families. There is a large and growing intermural series of events that brings people and their families who enjoy the challenge of competition to different venues across the province. These loppets are held in major centres that attract thousands of skiers from across the continent. These major tourism events supply both classic and skate trails. Skate trails require different equipment to set and maintain trails. This equipment is currently only available in larger clubs. This equipment is large, with widths over 14 feet and a price tag of well over \$200,000.

One only has to travel to the ski areas of Collingwood or Quebec to get a sense of the potential for outdoor

winter recreation. These same facilities, on a smaller scale, exist across northern Ontario and could supply winter recreational entertainment to a much larger clientele base with little additional cost. People in areas that have developed a winter-based recreational industry have learned to market and celebrate the natural beauties of winter snow. Quebec, which we are modeling our market approach after, has developed a linking of individual facilities, using both central reservation services and Internet information. Our proposal would use this concept but expand on it to include information on each of the individual facilities, their trails, snow conditions, grooming policies and contact names to inform and attract tourists to the area.

The Northern Ontario Tourism Marketing Partnership is spending \$120 million over the next four years to market, with a "winter is fun" approach to selling winter charm. Northern Ontario is slowly awakening to its tourism potential as it continues to develop an understanding of itself as a desirable destination for urban dwellers.

Market growth: Adventure tourism is the fastest-growing tourism sector, having reached a steady growth of 20% over the past number of years. Moderate winter temperatures in the south combined with the lack of snow are building additional pressures for development of winter tourism industries in the north. Skiers and winter adventurers are slowly spilling into the north for long-term excursion holidays, attracted to the north by its reliable snow conditions. Busloads of skiers travel north to enjoy the facilities that exist. They are, however, being blocked from traveling any further by inadequate information. The consistent lack of trail conditions or facilities information has restricted the flow of tourism and the development of the industry.

Market profile: Our target market groups would be those interested in a longer-term holiday similar in nature to a summer excursion. There are two advantages to this market group. Many of these people are enjoying early or semi-retirement and have the money and time to travel. Potential markets are people who often live in expensive urban areas and are looking to downscale their homes and their lives. This may be accomplished by moving away from the high-cost, busy environment of the city to a small town. While many people think of retiring to Florida or some other warmer climate, winter people who have grown up enjoying winter weather are more attracted to areas that have summer recreation and developed winter facilities. A well-serviced small town with low housing costs, summer recreation and well-developed winter facilities is far more attractive to some than a hot, expensive and dangerous Florida condominium. The town of Elliot Lake is a living example of how northern Ontario small towns can attract retirement capital to sustain economic activities.

1340

Let's be honest, the attraction of winter facilities is not going to pack the highways with people coming north. There are, however, hundreds of thousands of people retiring every year with millions of dollars in financial

assets. The retirement age for many of these people is in their middle to late 50s and they are not looking for a sedentary, restful lifestyle. A casual survey of cross-country facilities shows that the majority of people using the clubs are of retirement age. Many people nearing the end of their working life are looking for the peaceful, neighborly atmosphere that small northern Ontario towns can offer. One way to let them know what we have is to bring them here for a holiday.

The north needs to prepare itself to take a portion of this large market by improving the quality of life available to the current and potential residents in the area. Improving winter facilities is one way of promoting this.

Current market position: In a search on the Internet of the top 90 cross-country skiing sites in North America, northeastern Ontario wasn't even mentioned. There was no mention of the 30 or so cross-country ski venues between Bracebridge and Thunder Bay, over 1,000 kilometres away. To the winter tourist who is looking for a new venue to ski, northern Ontario doesn't exist. The northern Ontario market, with the exception of Thunder Bay, is not presented as a desirable destination. This proposal will change that.

Individual clubs lack the resources required to bring their facilities up to a standard that is expected by travelling tourists. Travelling tourists have been around and they know what they want. Clubs need to improve their grooming equipment, communications and building facilities to attract their share of the much larger market in the south.

Clubs and other winter tourism facilities are undercapitalized. They are forced to purchase used, inadequate equipment and spend large amounts of money to maintain it only to end up with machinery that breaks down during the season. Clubs end up spending much of their resources on trail grooming and have little or no money to update their building facilities. These organizations need a capital infusion to complement their economic means and get them to the plateau required by tourism.

This proposal is headed up by a working group in the northern Ontario division of Cross Country Ontario. It is developing a funding proposal that is currently targeted at the northern Ontario heritage fund. It is a similar proposal, smaller in volume, to the one that was initiated by the snow machine clubs several years earlier. It is this funding model that gave us the very successful snow machine trails that attract people from across North America.

This proposal would be comprised of a set-aside fund that would be established to operate over a five-year period. The bulk of the money would be available for the first two years of the project to get the necessary capital expenditures underway. The proposal would include the development, with all non-motorized sport facilities in northern Ontario, of a complete and up-to-date Web-based information system that would allow the linking of all these venues together.

Just to stop there for a minute, Quebec has a set-up like this. If you look up the Quebec tourism industry on

the Internet you'll find that they have a map of their province. The map is broken up into divisions, and each division has a series of areas that you can look into. People from anywhere in North America who want to look for a place to develop that sort of holiday, when they look at Ontario, they are locked in. Nothing goes further north than Bracebridge. When they look at Quebec, they've got the whole province covered. It's linked together and they have a common system. They've taken the structure of tourism and built it into an industry.

I think northern Ontario is getting to the point where we should be able to develop that level of maturity in the industry. We've got a lot of committed people in the industry but they work on it as volunteers, much like the snowmobile organizations. It's not a big economic infusion but it's a vital one to a lot of small areas in Ontario that have summer tourism activities and that aren't surviving because they have no winter support for them. In the areas where the motorized vehicle winter tourism activities have developed, it's stabilized a lot of the summer facilities because they can use them both year-round. So this is some of the rationale behind northern Ontario's approach.

Each participant would be linked to a central Web system that would be set up by area. This is a substantial improvement over the Quebec model. People would be able to pick any location in northern Ontario and get a subsequent page. Each area or venue would have their own page and would update their own information, so that people could actually get a fairly personal perspective of where they were going. This would give them accommodation, pictures of the facility, a description of the trails and a routinely updated trail condition report.

This set-aside fund would be available to clubs and entrepreneurs who are developing non-motorized winter recreation in a matched funding formula. These funds would be available for major capital expenditures such as buildings, trail development, grooming equipment, signage, marketing programs and Internet development. There may be some long-term funding required for groomer replacements, but new machines should last 10 years or more.

Benefits: Initial benefits arising from the investment of these funds would include the increased cash flow to local communities for travel, accommodation and trail fees to clubs. This increased level of winter tourism would complement the summer tourism, resulting in increased year-round employment in the north.

It would be advantageous to the clubs, the communities and northern Ontario as a whole to develop existing facilities to the point that they became tourist destinations. This funding will position northern Ontario to take our share of the increased growth in this sector. It will close the gap we currently have relative to Quebec and the northern US in winter tourism. It will supply a cost-competitive holiday excursion in areas throughout the north, attracting a sector of the population who are looking for a winter experience. With improved traffic, additional development can be funded by the clubs and

other organizations to further enhance both the experience of adventure tourism and the local club supporter.

In conclusion, in the 1930s people took the train from Toronto and got off in Temagami to enjoy the beauty of the outdoor wilderness. Cross-country skiing offers a diverse range of touring, from the tracked and set groomed trails where both classic and skate skiing can be done, to outback trails that go between chalets, to untracked wilderness skiing. All of these activities require varying levels of support, starting with bus, train or car transportation, equipment purchase/rental, chalet/change rooms, meals and accommodations. Most but not all of the facilities required to make this are available in northern Ontario. Organization and standardization of quality are required to attract consumers who are looking for the fresh air and the facilities required for winter sport activities.

With global climate change and the length of the snow season becoming shorter in the south, northern Ontario is positioned to become a preferred destination for the larger volume of southern Ontario skiers. Some of these may enjoy the natural beauty of the north and the experience with nature enough to make it their home. While we cannot read the future, we can plan for it. We would like to prepare for the inevitable growth by moving into winter tourism with an organized and comprehensive approach.

We are looking for your support, encouragement and direction in order to assist us to move from community-based tourism to a broader provincial clientele. Thank you.

The Vice-Chair: Thank you very much for your presentation. We have four minutes for each caucus to ask questions or make a statement, starting with the NDP.

Mr Bisson: I have to say to the members of the government, I think one of my great frustrations in this particular area is that organizations such as this that are in the recreational aspect, be it, in this case, cross-country skiing or others, have great difficulty just doing what they're doing now, because they're basically operating strictly on volunteers and the fundraising and do's that they do themselves.

We know by experience that when there's a lack of dollars on the part of the province—one of the things that the government did when they got elected in 1995 was take away many of the programs, in the name of balancing the budget. We can get into debate on, was that that wise or wasn't it wise, but the point is, the dollars are no longer there. There's a very small pot of money, the Trillium Foundation, that everybody is trying to access. In our region, for these kinds of projects, I think there's a total of \$160,000 or \$260,000 for our region, which includes Mr Ramsay's riding along with mine. So when you're trying to do something that in the end could be a net benefit, not only to the members but to the community and to the north generally, it's very hard to get the dollars going.

I just want to illustrate it one way. You're here today at what used to be called the Ramada Inn. We call it now the Comfort Inn, or—

Interjection: Best Western.

Mr Bisson: Best Western. I should know these things; I live here. You notice there were lots of snowmobiles outside today. Those aren't local people. The government back in the early 1990s, and your government again just recently, decided it was wise to invest dollars to develop the snowmobile trail. As a result, there are tons of businesses in northern Ontario that are getting the economic spinoffs of that investment that was first made by our government but then carried on with yours so that businesses such as this one, people who sell snowmobiles, people who sell tourism destination packages, local restaurants, others who have built along the trails, are basically reaping a benefit from that very small investment.

I would argue that for every dollar we invested in developing the snowmobile trail system, the northern part of the province got that back tenfold. I think we have an opportunity here for these kinds of organizations if the government saw their way to saying, "Yeah, we recognize that tourism is one of the things that we've got to do better in northern Ontario," to giving the staff of the local MTR offices in our region and giving the staff of the northern development people—who are really good people who work really hard with these organizations—the ability, by way of programs, to help these people along and developing strategies and having funding models in place that allow us to get these kinds of things up and running.

One quick question: How many volunteer hours do you put into this, any one of you guys?

Mr Bob Blanchard: Oh, 2,000 maybe, at least.

Mr Bisson: As an individual?

Mr Blanchard: Myself, yes.

1350

Mr Bisson: These guys go out every day and are doing it for no dollars. They are doing it out of passion, and I'm sure you see similar things in your own ridings. But imagine what we can do if we give these people a little bit of support—the net benefit, not only to our communities but to our northern local economy.

The Vice-Chair: We move on to the government side.

Mr Arnett: Thank you very much for what you've given us here today. I think the analysis that you have put forward in your presentation is very sound, about the potential that exists for cross-country skiing in the coming years. I think you're absolutely right, there is tremendous potential and you're well positioned to take advantage of that.

Getting back to your specific proposal, you pinpoint the need for an up-to-date Web-based information system. Do you have any idea how much that aspect of your proposal would cost? I would think it would be fairly nominal.

Mr Raftis: Yes. Not much at all. The strategy is to move the accountability for each venue right to the venue owner so that we would basically build the central model and then they could link into that, which really has no cost to us. The cost to the clubs would be for their site.

They could put local information into it so that when people contacted them it would be like meeting somebody. You could see a picture of the president here.

It makes the world a lot smaller, because when people get away from Toronto they sometimes suffer from the lack of people around them. They feel a little nervous about that. But if they know they're going to someplace where there is somebody they are going to recognize or there's a phone number and they can talk to somebody, they can get a real feel for what's there, a visual appreciation of what's there, then I think it will extend their sense of it. I don't think that's a big part of it at all, but I think it probably will pay very well.

Mr Arnott: It would be helpful to have the provincial government involvement to tie everything together.

Mr Raftis: It would fit well with some of the marketing they're doing too, but again, we're not developed to the point that people have enough confidence to present themselves to the public. That's where we're short at this point in time. When you open your doors to the public, there are expectations there. I think what we have to do is help people in the north get to that level of confidence that they can say: "Yeah, come on. We're going to be ready for you. We're going to welcome you, and we're going to have facilities that are going to keep you happy."

Mr Arnott: The one thing that I would observe is missing from your proposal is a dollar figure, what you would need to do what you want to do.

Mr Raftis: The reason that's not there is we're working with a large number of organizations. What we want to do is go and talk to a large number of the clubs and other operators and say: "What sort of plans do you have? I don't want to pick something out of the air. What plans could you actually finance, so that we can pick a figure that has some precision to it and argue that based on the fact that we have substantial information behind it?" What we're going to be doing is working with some of the clubs to put a five-year development plan together and then taking those totals and putting them together and doing some projection based on that.

Mr Arnott: If there was a set-aside fund, as you've described here, by the provincial government, you would look at local contributions matching whatever the provincial contribution was?

Mr Raftis: Yes. I think there are benefits for local people. They're willing to put money into it, and they've done that traditionally, so that would be the basis of it.

Mr Arnott: Thank you.

The Vice-Chair: OK, to the official opposition.

Mr Phillips: I very much appreciate the presentation. I looked out my window last night and there were 30 sleds out there. There are probably 30 or maybe 15 rooms that were rented here in this hotel last night because of the sleds. I think you play a huge future role.

I'm conscious of global warming. I drive a sled too, but I'm from Toronto so I'm always looking for where the snow is, and it seems to go further north every year. I wonder if your organization has looked almost scientific-

ally at this. Over the next 10 years, what can we expect in Ontario in terms of where there will be a reasonable amount of snow for sledding and cross-country skiing? Because my intuition is that it is moving further north every year. It would be helpful for me if you know. If you've got that, tell us; if you don't have that, where might we find it? Because my instincts are you've got a great future, because people are looking farther and farther north for what you provide.

Mr Raftis: I do have a bit of a background in climate change. I've been to some conferences on it and have some personal interest in it. Essentially I think northern Ontario is probably one of the most stable areas for climate change long-term. The reasons for that are because we're not close to big water bodies and also because we have a fixed precipitation freeze-up. Our precipitation in the wintertime locks in, in the snow, so we don't have the potential for the big swings in temperature that they get in more tropical areas.

Having said that, what's projected to happen is that there will be a shortening of the winter season. It doesn't mean that we won't get winter in southern Ontario, but it will be shorter and more dramatic, and it will warm up earlier. But because northern Ontario is farther north, it will warm up later and cool off earlier. So the line where winter tourism activity will have a longer season will be moving further north. They'll still have seasons in the south, but they'll be shorter and more dramatic and start later. In this business, if it starts late it's very disastrous for us, because people don't put the capital into new equipment, new sleds. If they don't see it before Christmas, chances are they're going to say, "It's too late this year."

So the critical part of the season is the early season. That's when all the money is spent and that's when all the commitments by the organizations are made. So if everybody sees a bad winter coming, everybody stops spending money and the industry sort of freezes up. For that sort of an industry, I think northern Ontario is a place that's going to be fairly stable over the long term as far as snow loads go.

Mr Phillips: My own gratuitous advice is to make that a big part of your presentation.

Mr Raftis: OK. Sure.

Mr Phillips: David, you had a question.

Mr Ramsay: Hi, Ambrose. How are you doing?

Mr Raftis: Good.

Mr Ramsay: Good to see you. Good presentation. I'm very interested in your remarks here about a consolidated Web site. I've had a person from Haileybury in my office for about the last seven months who has a Web site but has been frustrated with the inability to consolidate all the aspects of all our communities so that, as you said, you can link to accommodations, gas stations, drugstores, everything people would need as they travel through.

I'm not sure if you're aware, but tonight at 7 o'clock at the Haileybury School of Mines there is a presentation where this fellow has linked up with the ecology centre in Mattawa and other organizations and municipalities.

For the first time they are presenting their proposal for this amalgamated Web site that would include all aspects of tourism for all municipalities throughout northern Ontario. I think its tentative name is NorthNet Now. I'm going to be going to that tonight and will be very interested to see if it would be appropriate that your interests are linked there, because it seems to me that if we can get it down to one source for anybody who wants to come to the north, whether they link into it because they have put in their search engine "cross-country skiing" or "northern Ontario" or a particular community, it might be good to have one place to go on the Internet for all of this information.

I'm going to be very eager to see how this looks tonight and if this would be adequate for all the organizations and all the activities we have in northern Ontario.

Mr Raftis: One of the advantages to the Internet sites is the linking. What we would see is people would come into it from a skier's perspective, and the clubs would maintain their information, because that's the next layer of information. The next layer of information we need would be the service industries, and we could link to that. So what happens is people would receive their information in a logical, sequential fashion, the process in which they need it, and each one of them would be supported by a different source of information. The initial one would be fairly fixed. The next layer would be the club one, because they would have variable levels of information, changes they had to incorporate; and then the community, the motel accommodations, the restaurants and all that, could put in their information.

What we foresee doing is having the clubs take the accountability to ensure that their local people are represented, maybe through that Web site. They could just link automatically to the Web site. So we could build the two layers and hook on to the last layer if that accommodated it. The advantage with the Web sites is they're so flexible you just link to different areas that you want.

Mr Ramsay: Yes.

Mr Raftis: Did you have something?

Mr Ken Gauld: Yes.

The Vice-Chair: You haven't had a chance to speak. Go ahead.

1400

Mr Gauld: My name is Ken Gauld. I'm representing the Kapuskasing Nordic Ski Club. I'd just like to interject something. Not only were we talking about the Web site, tourism and all that, but I would like to get down to the community level also, dealing with each individual community. In Kapuskasing, our ski club is right in the community. We're within one and a half kilometres of the centre of the community. The strong point about our club is the local volunteerism. Plus, I was a previous chair of our hospital board. I understand what's happening in the medical field, with doctors and all that. I can honestly say that one of the biggest selling points we have in Kapuskasing, as late as last week, is if we need an anaesthesiologist, the ski club is next door. If you

want to go skiing, their paging system works very well. Sure enough, they do come, and they really enjoy it. I'll tell you this right now. They're out two, three hours a day, because they have not been able to do it in southern Ontario. That type of exposure gets them thinking about coming and living in the north with their families, even for a short period of time—five, 10 years. That is what the north needs. Also, the children see this and they encourage it: "Let's cut the smoking garbage and go out skiing," or things like that. They're constantly doing this.

At a local level our club is finding—and we passed out the brochure—that we're very well set. We're very self-reliant. We have no debt, and we're struggling to get the machinery that is needed to do the proper thing to enhance these trails and this equipment. It goes for curling; it goes for many aspects of the community. That's what makes a strong community. That's what we also have to get across. If the public come and see this as tourists, see a very strong, developed community, they know they've got a good thing and they're going to enjoy it.

You people were in Kenora yesterday. Lake of the Woods is a big attraction. The people look after it and the people want to come. We can do the same with skiing and winter sports in the north.

The Vice-Chair: Thank you, Ken. You went overtime, but that's all right. You hadn't had a chance earlier. Thank you very much for your presentation. It was most interesting. Best of luck to your organization. We'll take it under advisement.

ELEMENTARY TEACHERS' FEDERATION OF ONTARIO, LOCAL 1

The Vice-Chair: Our next delegation is Deborah Murray, president of the Elementary Teachers' Federation of Ontario, Local 1, Ontario northeast. Welcome. Just say your name and your associates' names for recording purposes. You have 30 minutes for a presentation. Whatever of that time is left over, we'll have questions and statements from the three parties, to be divided up evenly.

Ms Deborah Murray: I'm Deborah Murray. I'm here this afternoon with the vice-presidents of our local, Jim Paterson and Dale Livingston.

I would set our comments with regard to education in the context of—for example, we're here together in a room and we just heard people talking about the enjoyment of a sport. People were sharing anecdotes about communication on skidoos. If we could imagine ourselves in a situation where we were having a dilemma in transportation and someone promised us equitable treatment around transportation, so we're all in a room listening to someone tell us they're going to straighten things out and make it so it's fair for everyone; there'll be equity involved and we're all going to get a proper means of transportation for ourselves. So the presentation is made, and I understand the structure of this equity situation that's coming forward to us. Then when we walk out

to the parking lot we see a parking lot full of blue four-door sedans, and there's one for each of us. The challenge is that when we've been sitting in the room, the retired couple that does Meals on Wheels and the family of four with a dog had been envisioning a van with the doors that open on both sides. The custodian who coaches a hockey team was envisioning a Suburban. So indeed these people were given a promise of something, an equity, but their needs were very distinct and different. So when they got outside, indeed there was transportation, but not what they needed.

The Elementary Teachers' Federation of Ontario, local Ontario northeast, represents over 400 teachers and educational workers, from Temagami in the south to Hearst in the north. The teachers who work with students, families and communities in this northeast region have a great deal of heart. The communities have heart. It is their schools and the health of these schools that is in danger.

In a recent Environics survey, the government received low marks its for handling of education. What prompted this concern?

The funding model, with its various formulae, was set in place to establish equity among the students of Ontario. Our brief history with the model indicates that this medicine is not working. In the northeast, geography and population distribution are critical variables not adequately accounted for. Inadequate funding reveals itself in many forms.

I make a small aside: I noticed that the two members were sharing a look at the map of the province in the northeast and are very well aware of the geography and the impact that we, representing the members who work there, and certainly this district school board, face in the delivery of services to a geography of the area that you were just reviewing.

Elementary educators have been working to implement multitudinous new curriculum documents. The funding model has provided fewer teachers and the impact is played out in the reduction or complete elimination of library programs, computer specialists and music. A properly staffed resource centre is essential for this new curriculum, providing the necessary resource materials. Qualified teachers should be peopling these facilities and computer labs. In many schools in this jurisdiction the library is theoretically closed, and in others, staffed by volunteers.

The formula of one teacher for every 25 students for classroom purposes and 1.5 teachers for every 1,000 students for library and guidance will not guarantee equity in an area like ours.

Just as an aside note, when you reviewed that map, that kind of population density is not going to exist, so our single-school communities have no hope to staff a school adequately with the proper teachers who are qualified in those areas.

Inadequate staffing establishes unreasonable demands in delivering the required programs. We have the curriculum documents. What of the resources and staff to

share them with the children? Despite best efforts by the board's technical departments, it is not uncommon for computer labs to be down for weeks and even months at a time. I make no exaggeration here on this one. I'm out of the school right now, working on behalf of my members, but I taught in a school where they came in to run a special program for educators and something happened to the server. Our whole lab was down for three months.

The progress review of Ontario's new district school boards, District School Board Ontario North East—the EIC report of July 5, 1999—identified that funding problems have hampered the board's efforts in this area. This same progress review acknowledges the benefit derived from sharing perspectives and experiences with a wider range of colleagues in this amalgamated board. It is fundamental that when we come together we are discussing curriculum strategies rooted in a premise that the same level of programs would be universally offered to all the children in our communities.

Again as a side note, within this district school board, the schools in the Timmins area and two in Kirkland Lake offer full-day, every-day kindergarten, but it's not universally offered in this system. When you look at the delivery of immersion programs and core French, there is a wide range of delivery. Communities have come to expect that level of service. The funding model doesn't support that, but for whatever reasons, the boards maintain those—political purposes, whatever. They maintain those because they're historically established in these six predecessor boards, but by doing that, it very severely impacts the services in other schools because they're putting staff and resources into areas that are not being funded by the government.

In order to do this, to achieve equity, we indeed have to treat situations differently. Sharing assessment practices and curriculum development becomes problematic when some teachers have the opportunity to work with early learners at the kindergarten level every day and others attempt to cover this same volume of material over a year of alternate days.

Programs such as Mathquest 2000 and Open Court, a language program, which meet the kindergarten curriculum requirements, are structured for delivery five days a week throughout the year. Some teachers are asked to deliver this in half the time but with the same observation and reporting demands. Full funding for all-day, every-day senior kindergarten must be restored as well as expanding junior kindergarten funding. We must support our youngest and most vulnerable.

1410

I can think of a specific situation of a teacher who was in a situation of alternate days. One day, the first day of the week, she is working with 31 junior kindergarten children. The next day, she receives 20 senior kindergarten children. This one teacher is responsible for tracking 51 students. At that particular age, as well, she has the most significant responsibility in the early identification of learning needs. We have those numbers about averages of 25, but it doesn't play out that way when you have the geography that we have.

Class size: Within District School Board Ontario North East some of our largest classes exist in these early years. Statistically, the board meets the average class size criteria. Our single-school communities have little flexibility in relation to class size solutions. Research has long identified the importance of smaller classes in the primary grades, especially when considering the identification of learning problems.

Special education: Split grades are common in our smaller schools. Multi-grade situations reduce the amount of attention any individual child receives. This is compounded by past cuts to special-education funding. When you take into account inflation and enrolment changes, funding for special education is at least \$50 million less than the level provided by boards prior to the new funding model. The recently announced \$40 million for special education still leaves this area in a deficit situation. We can endlessly discuss numbers and play a shell game of dollars; the reality is special education services have been cut.

A stack of validated files creates pressure on the heart. Indeed, I was in the special education coordinator's office last week and saw that stack of files sitting on a shelf behind her desk, validated files of students. For lack of funding, many identified students do not have the service due to them. Provincial school students have returned to District School Board Ontario North East, and there is no support.

Funding was originally intended to be portable, but associated support dollars have not followed the students transferred to the jurisdiction this year. What I heard most recently is that we're in the net of having six identified students come into the area, never mind the ones of those validated files sitting on that coordinator's shelf. But we had two identified students, in terms of ISA funds, leave the area and eight come in, so there is that net of six. There is no money to pay for the services due those children, no money to this board.

Indeed, the funds were supposed to be transportable. For whatever reasons, when the contact was made with the ministry, they said: "That was the original intention, but the money gets sent to board X and we have no way of—how do we pick it back from there and track it with the child? It's something that is going to be looked at." But in the interim, the impact is here. On the horizon are the children yet to be identified. New high-needs students do not have funding. There must be an open review of all eligible students and an in-year review for new students.

The other class size issue: An overall general concern is the distribution of dollars to elementary and secondary students. There has been a long history to this inequity. I think we currently have a situation with regard to the foundation grants, that there is just under a \$600-per-pupil difference in the dollars attributed per elementary student versus secondary, and there is no rationale to that.

The arbitrary assigning of 100 square feet per elementary student and 130 square feet per secondary student neglects the reality of space necessary for resource and music rooms, labs, special education rooms, gymnasiums

and play spaces for kindergarten and primary. Elementary students are just as deserving of learning opportunities in proper facilities.

Both students and teachers grow weary of the delivery of physical education, music or special education in an open space, closet or converted lunchroom. Compounding the fact that only 100 square feet per elementary student is financed, there is no way to guarantee the money actually reaches the elementary student. Money generated by those elementary students is deposited into the board's account. However, there is no system in place to track its spending on elementary as opposed to secondary.

Staff: There is a definite impact on teacher morale. Teachers in our board are being asked to provide greater services than in the past, with larger classes, fewer resources, new curriculum documents frequently unsupported with necessary materials, fewer professional development days, greater distances to travel to meet with colleagues and increased accountability. Bill 160 recommended 200 minutes of preparation time, yet funding does not cover this. Such recommendations must be supported within the funding model.

School councils are frequently left trying to support their teachers through fundraising. The fundraising activities range from money for school trips and sending children to music camp to science equipment and computer programs. The essentials should not depend on the charity of the community.

A recent survey by Environics found that Ontarians want government spending on education to increase. A solid majority of Ontarians, seven in 10, want the government to spend more than it is now on education.

Will you listen?

The Chair: Thank you. We have approximately five minutes per caucus, and I'll start with the government side.

Mrs. Molinari: Thank you very much for your presentation. It is enlightening for me to listen to some of the unique circumstances in various school boards. As I have said before, and say to you as new presenters, the cookie-cutter approach does not work, and every situation needs to be looked at individually. You have highlighted some unique needs. Looking at the map, the large area you cover here, as opposed to some of the smaller areas in some of the southern boards, certainly there are differences and unique circumstances there.

You mentioned some issues around special-education funding. Some of those areas are not new to us, in that an improvement needs to be made. It's an evolving funding mechanism. The minister did make an announcement recently putting more funding into special education. That is something that will be ever-evolving. There will be input from the boards as to how that is working and what the ministry can do to improve it.

The same with the education funding model: In the past it was clear from a number of boards and parents who had said that the model in place before this new model was not equitable and changes needed to be made,

and a change was made. That is not to say it is perfect. Since the new education funding model was adopted, there have been changes to it. Again, it is something that is evolving until you get it the way that it suits everybody's needs in a perfect way.

You made some comments with respect to the 100 square feet per elementary and 130 square feet per secondary student, that there is no accounting of whether that is how the dollars are being spent specific to the different sections. You are right, and that is because the boards are given the flexibility to spend the money in ways such that one year it may be more in one area and another year it may be more in another. There is some autonomy and responsibility with the local boards to determine those expenditures.

One thing that concerns me about what you said has to do with special-education funding, if you could expand on it a little further. It is my understanding that the new funding model put in place would move the funding with the student. It wasn't in the past, and it was the definite desire of the ministry that that would happen, that when a student moved to another school, the funding would move with that student. You mentioned today—and I have heard it mentioned by some other presenters, which concerns me and certainly I am going to try to gain a better understanding of how and why that is happening. Could you elaborate a little further on that particular case, to give me a better understanding of a unique situation of an individual school board and how they deal with it?

1420

Ms Murray: I don't have a specific example. In conversation with people who handle special education in this district school board—as you indicated, they were given to understand that—I'm not sure of the exact language, but in terms of the portability of funds, for example, if I as a special-needs student transferred from, say, the Rainbow board to district school board 1, the money for the services that I may have been attributed should then come to this board. For whatever reason in terms of the paper chase, the trail that needed to be generated to ensure that, apparently, from what was explained to me, that does not happen. It's apparently something they are going to look into, but it has not happened this year.

Mrs Molinari: Another question, if you have the answer of what the board is spending with respect to special education—not the exact figures, but I know that a number of boards across the country are spending above the special ed allocation and the money is coming from the discretionary portion of the budget that they have, that they can access. Do you know whether the board you're with is spending above that?

Ms Murray: I don't have that information.

Mrs Molinari: Again, thank you very much for your presentation. It's very informative.

Mr Phillips: Last week, the Elementary Teachers' Federation presented one of the more startling numbers to me, and that was that the average class size had gone

up by about 10% in junior kindergarten, senior kindergarten, grades 1 and 2, which was contrary to the popular government description of what was going on. That struck me as serious and odd. Has that been the case here or have your class sizes dropped?

Ms Murray: For specifics on kindergarten specific to the 35 schools in this district school board, I could not give you the exact averages on that. I know of many particular schools. I gave you the example of the junior kindergarten with 31 students. I know of others of 26, 28 children. I think it's in Englehart that we have classes of 31 and 24 children, so there's a teacher tracking 55 children. The numbers are up in those communities because physically, for example, in Haileybury and Englehart, where those numbers are up like that, there is a school, a classroom.

Mr Phillips: You don't know the average class size?

Ms Murray: No. I think what you're saying about the numbers about the province was probably shared with you by our people in their presentations. When the government gave that opportunity for choice, when they moved away from the special funding to keep numbers down, the boards made other choices.

Mr Kwinter: Ms Murray, I would just like to pursue this statement you have in your presentation: "Money is deposited to the board's account, however there is no system in place to track its spending on elementary as opposed to secondary." Could you give me an example? Has that actually happened in your particular board?

Ms Murray: I'm not here attempting to make any remarks that would question the way our board tracks its money. My understanding is that in terms of the foundation grants and monies per pupil etc that are attributed, they're put into the board's account. The board has the various envelopes it can spend to, but to know that per pupil, in terms of the foundation grants, the money generated for elementary, it is definitely spent in the elementary panel—I don't know of any way that you would ask the board or how they could track that information. I'm not saying it's impossible. I'm not implying that the board's hiding anything from us. I just don't think there's any board probably that has the mechanism to track that. I think it would certainly be something for the ministry to investigate a process for. We made the comment in our piece here that elementary kids deserve equal to secondary. We certainly deserve the money that they're generating into the system to be attributed to their needs.

Mr Phillips: Another issue you touched on here is the local school fundraising, and that's of interest to me because while everyone wants and encourages parental involvement in schools, I think there is a terrific danger that if local fundraising becomes an important ingredient in terms of the quality of education in a school, you do end up, in areas where a school may be located with families of modest income, with a level of education well below that where there are families that can afford it.

There's a private member's bill before the Legislature right now that would allow for donations to schools to be

tax deductible if you donate your computer and whatnot, which at least raises questions to me of—and by the way, the same thing is happening in health care, where it is somewhat easier for well-to-do communities to raise capital money for health care.

Is that an issue—and it's just emerging, in my opinion; it's just starting—that we in the provincial government should be concerned about, or is it comparatively minor in the education system?

Mr Jim Paterson: If I could speak to that, I know that in my community of Kapuskasing we have some concerns about fundraising. First of all, there's a safety issue of young children being out on the street selling chocolate bars or whatever. I guess too we have to question what the fundraiser is for. If the school really believes these fundraisers are for important parts of the child's education, then I think we should fund it; the government should fund those things. I don't think we should rely upon children to go out and raise funds.

It becomes a competitive thing, one school doing a meat sale, other schools selling chocolate bars and so on. I know as a parent there are times of the year where you can't sit down for more than 10 or 15 minutes in the evening without somebody knocking on your door wanting to sell you something. Those are some of the things that happen in our communities. There's also less of an industrial base that we can touch on to raise these kinds of funds.

Ms Murray: If I could add a point there in terms of the legislation that might come forward, I had the opportunity when I was sitting with the College of Teachers and one of the appointees from the community was a high-profile person in the financial district—it's interesting, the point you make, when we are talking about resources and supporting one's school and you consider the lobbying potential of people in that sort of profile and what they are able to donate or not compared to the average family and citizen in communities where there aren't those kinds of jobs. When you think about the 416-905 area, all those companies and corporations, when they donate stuff, where is it going to go? She was a vice-president of a large company and was saying that they are refurbishing their computer department. These were very usable pieces of equipment, but of course where was that stuff being donated? To her child's school. Are they going to be screaming to the government that they are in need? No. They just got those computers.

Mr Bisson: Three questions. The first one is, I had an opportunity sometime before Christmas, probably December or November, to meet with elementary teachers in Moosonee-Moose Factory who are teaching in the provincial schools there. One of the comments they were making, and something we've been doing some follow-up on, is what you touched on in your presentation, which is the introduction of the new curriculum that hasn't been followed by the books. In many cases, in Moosonee for example, the only book they had received was the math book, or was it the English book? It was one or the other; I can't remember which one. The rest of

the program—science, mathematics etc—was being taught by basically cutting and pasting different things from books that the teachers had in their own collection or out of the school repository—I won't even call it a library, if you take a look at it. They basically cut and pasted things on to paper and gave them to the students. That is a pretty extreme case, but how much of that actually happens within some of the other schools within your area?

Ms Murray: I would say that's very common in our area. Speaking at a meeting two weekends ago to one of the teachers in Iroquois Falls and talking about how she spends a good part of her Saturday and Sunday, she's an immersion teacher, so she spends a good part of her Saturdays and Sundays translating information from old—there wasn't even, say, a new science book or whatever to translate. She was taking old resource materials, following the new curriculum and translating to generate material to present to the children.

Mr Dale Livingston: I was just going to add to that. I teach in a 7-8 school of about 325 or 330 kids. I'm currently teaching grade 7 level, and the only textbook I have to support the new documents is a math textbook, as Gilles alluded to.

Mr Bisson: Is it the math?

1430

Mr Livingston: It's a math textbook that I have. I have about 32 copies of it. For history, which I also teach, I'm using the old grade 7 textbook, and now that the document has changed, the curriculum, I'm also using grade 8 textbooks. So I am cutting and pasting, plus the resources that I have collected over the years.

Mr Bisson: So that is more or less the norm as well as in other schools.

Mr Livingston: In the school that I'm in, and I suspect it's probably—

Mr Bisson: One of the calls that I make to the government and one of the things we ask—I don't think people are opposed to change overall when it comes to curriculum. We've been doing that for years in the system. It's not the first government to have changed curriculum within the school boards. Believe me, we've all done it. But at least when we do that, we should make sure the books are available at the same time because it makes it very difficult. I know I'm hearing that up the coast and I was wondering if you were getting the same.

The other—you were going to add something?

Mr Livingston: I was just going to add one more thing to that. In the rush last year to order new textbooks and so on, I suspect just from my own experience that for some of the textbooks that were purchased, on a scale of 1 to 10, we probably could have selected better textbooks as far as what the document wants you to teach.

Mr Bisson: The other thing is the one-school communities, an issue I'm dealing with actually with the French Catholic board, and I'm wondering if it's the same within your elementary system. Opatika is an example, and—Dave?

Interjection: Jim.

Mr Bisson: Jim. Sorry. I always get names mixed up. I'm one of these guys. I should know him well, for God's sake.

Opasatika has a small community of around 800 or 900 people, somewhere around there, just north of Kapuskasing by about an hour. They have one school, which is mixed classes and they are in a situation now, because they don't have—I think the magic number is 70% occupancy within the school. They are at 65% or 66%. The school board is looking at closing the school, which serves kindergarten up to, I believe, grade 6 or grade 7, and transporting the kids down to Kapuskasing in order to go to school.

As parents, I think we all agree we don't want our little toddlers on buses running down Highway 11 to go to school 45 minutes or an hour down the highway. We're right now in a bit of a fight of our lives trying to keep the school in Opasatika around this funding issue. I know Mr Ramsay has the same problem in Iroquois Falls when it comes to the French public. So I'm wondering, in your situation—I still get lots of calls from Iroquois Falls. What a wonderful community that was to serve. You're very lucky to have it, but that's another story. I always make my plug for Iroquois Falls.

Anyway, do you experience the same thing? Do you have schools within district school board 1 that are in the same situation, where one-school communities are at risk?

Ms Murray: At this point I know the board has a process in place for accommodation review. I think we have fears that there are schools in that situation. None has come to our attention, but certainly there are areas that we are fearful of, I think more so in the southern part of this board, in the area that Mr Ramsay represents.

Mr Bisson: I haven't heard of any in the northern part. That's why I was wondering about your school board. I've heard of it in the French system but not in the English.

Ms Murray: I would say that, tragically, this is the kind of stuff, the rumour mill thing that you hear because there haven't been bona fide accommodation review meetings to this point, but you just have to look around and realize. The challenge there is that it's unrealistic, in terms of the travel time that these children would have to be on a bus, to think of closing those schools.

Mr Bisson: Jim, a quick question.

The Chair: We have run out of time.

Mr Bisson: Just a very, very quick question.

Jim, I'm getting a lot of calls in the Kapuskasing office from parents who are having difficulty with kids with special needs. I'm wondering, is there something different going on in the schools now as compared to a few years ago to see the increase in casework that I'm getting in my office in Kap?

Mr Paterson: I think this is something that is area-wide. There's more identification going on, and more and more special-ed kids, for whatever reason, whether it's society or whatever, are being identified as needing help.

They are definitely there and, once again, as Deb has said, services are not there to help them.

The Chair: On behalf of the committee, thank you very much for your presentation this afternoon.

Ms Murray: Thank you for the opportunity to speak to you.

SOUTH PORCUPINE ARENA ASSOCIATION

The Chair: Our next presenter this afternoon is the South Porcupine Arena Association. Could you please step forward and state your names for the record.

Ms Brenda Torresan: My name is Brenda Torresan. I'm the first vice-president of the South Porcupine Arena Association.

Mr Burt St Amour: Burt St Amour, executive director of the South Porcupine Arena Association.

The Chair: On behalf of the committee, welcome. You have 30 minutes for your presentation this afternoon.

Ms Torresan: Thank you very much. It's actually an honour to be here and to have this forum to speak to you. It's not often we have this. I apologize for my voice, but a hockey tournament took it away this weekend.

Dear sirs and madam, we are the South Porcupine Arena Association and have been in existence since 1939. We were formerly recognized as the Porcupine Skating Rink Co Ltd.

In 1977, a board of directors was formed and became responsible for the management and the operation of the arena.

In 1991, we were advised to commence application to establish a non-profit organization. This would allow us the opportunity to obtain grants and funds not accessible to corporations, as which we were legally registered. Realizing major renovations were forthcoming, and to properly reflect our position as a community service and facility, the process was initiated and obtained.

In 1993, the arena began phase one of the renovation project. This task was accomplished with the assistance of devoted volunteers and dedicated staff and board members. The financial assistance obtained through a grant from the Ministry of Recreation and Tourism was a contributing factor to the initiation of this project. The association was required to match these funds in order to qualify, and we did successfully.

In 1994, the arena continued with phase two of the renovations. Again a grant was obtained, however, this time from the Ministry of Northern Development and Mines. Again, the association was required to match these funds in order to qualify. However, we did not have the cash and therefore applied for a loan. The process that ensued became very discouraging. Because of our non-profit status, no lending institution was willing to finance our project. We were advised that the corporation status would have satisfied their lending requirements, but now, as a non-profit organization, it was not within their guidelines. The association did manage to obtain alter-

nate financial assistance as a result of a board director allowing their private residence to be mortgaged for the benefit of the association and thereby completing phase two.

The arena presently operates on an approximately \$300,000-per-year budget. For 10 months of the year, the arena is booked to capacity. In the two months it's not in operation, the arena staff embark on completing major repairs and maintenance work.

The South Porcupine arena is a historical and monumental building with a history of memories. It is a recreation facility which entertains old and young and provides a service to the residents of the city of Timmins and surrounding area. It is the only one, or one of the few arenas in northern Ontario, that operates at no cash value to its citizens.

At present, we are home for the Porcupine Minor Hockey Association, the Tisdale Figure Skating Club, the Timmins Ladies Senior "AA" Vipers Hockey Team, the Timmins Ladies' and Men's Sponge Puck Leagues, the Falconbridge and Placer Dome Recreation Leagues, the Porcupine Oldtimers League, the South Porcupine Recreational League, local schools and clubs.

We are now facing phase three of our project. This phase will consist of a new arena floor and the installation of handicap ramps at the main entrance. These two items are another major financial task for this association. The floor will not withstand another year and, without its replacement, numerous organizations will suffer.

In seeking financial resources, they have all but diminished in size and monetary contribution. Our facility and service is in critical need of funds to complete phase three. We are unable to obtain a loan from any financial institution due to our non-profit status, and the allocated funds that are available to our area are not sufficient based upon the government's new and/or changed criteria for qualification. We are asking you to consider providing the South Porcupine Arena Association with a substantial financial subsidy to allow phase three to be initiated and secure the placement of the numerous non-profit organizations that rely upon our existence. Without your grant or resources, this task will not occur. Subsequently, the previous major financial assistance received will be to no avail.

1440

As taxpayers and members of the community, as board members and directors of the South Porcupine Arena Association, as volunteers of our community-based recreation facility, we are asking you, representatives of our provincial government, to invest in your youth and the future of tomorrow. Support them with one of the only arenas in our municipality, ward 2. The numerous organizations and the thousands of participants would be truly grateful. Please sincerely address our request.

I trust that if you have questions from this—I wasn't familiar with your format—we certainly could answer them for you here.

The Chair: Thank you very much. We have approximately six minutes per caucus. I'll start with the official opposition.

Mr Kwinter: I'd just like some clarification. On page 2 of your presentation, in the first paragraph, last sentence, you say it operates at a no-cash value to its citizens. What does that mean?

Mr St Amour: I can answer that. We used to get funding from the city of Timmins to operate their South Porcupine arena. Right now, whatever revenue the arena brings in, as far as revenue minus all our expenses, we're at a break-even proposition. So when we say that it doesn't cost the taxpayers any money, a lot of arenas in northern Ontario probably have a deficit. One example is probably the McIntyre arena, which loses about \$350,000 a year. We do not have a deficit; we always break even or we always have to make sure we have enough money in the bank to do any repairs the following year. So when I say "no cash value to the taxpayers," it doesn't cost the taxpayers here in this city any money to operate that building.

Mr Kwinter: I would suggest you change the word "value," because it obviously presents a great value to the taxpayers but no cash cost to the taxpayers.

Mr St Amour: No cash cost, then.

Mr Kwinter: That was very confusing to me.

When you talk about a substantial financial subsidy, how much money are you looking for?

Mr St Amour: We made application to the Trillium Foundation for \$200,000. We understand that the floor will probably cost more. Like in the other two projects that we did—I have to give you one example. If we'd had to get a contractor to come and do all these first phases of renovations, it probably would have cost us approximately \$700,000 to \$800,000. We were able to do it for about \$300,000 because of the volunteers and everything else from the local community.

Mr Kwinter: You state that this new arena floor is also going to consist of the installation of handicap ramps. Are you aware that there are government programs to finance handicap access to public facilities?

Mr St Amour: We are aware that it was through the Trillium Foundation, and that's the only source of revenue we have applied for right now.

Mr Kwinter: Have you heard from them?

Mr St Amour: We heard from Mr Bisson, saying that there was only so much money allocated to this region. Because it was a minimal amount and they only allow \$75,000 for a one-time grant, we weren't too energetic that we were going to get it this year. You have to remember that our floor is coming up about 10 inches in the middle.

Mr Bisson: It takes a lot of water on the sides.

Mr St Amour: It takes a lot of water on the sides. It's very hard to keep level ice. That's why, when we applied to the Trillium Foundation, we found out—and that was the only access grant that we tried. We tried for the heritage corporation about six or eight months ago. They were very supportive and said, "Oh yes, that's what

we're looking for: arenas to stay open 10 months of the year instead of six months, and everything else." But then something happened after a couple of months, and they said they were changing the criteria and were going more into telecommunications, and that's where the funding was going to go after that.

Mr Kwinter: I would suggest you pursue that again with the Ministry of Citizenship and Culture and through the heritage fund, because they do that. Not only that, but they encourage people to make these facilities accessible to the handicapped. You should pursue it.

The other thing I really would like to find out, because I'm involved in a couple of organizations that are not-for-profit and they certainly have not had any—there's been no inhibition about the banks providing funding. In fact, it's just the opposite. The fact that there isn't any profit being taken out by shareholders and everything that comes in stays there, as long as you can make the business case, they will fund it. I am surprised when you say that you cannot get funding because you're non-profit.

I'll give you an example. The Ontario Jockey Club, which is a mammoth organization, is non-profit. That doesn't mean they don't generate a pile of money, but it is a non-profit for tax reasons and they get all sorts of government assistance and funding. I would like to hear about your experience with that particular area.

Mr St Amour: I can only speak on the experience we had when we did the second phase of the renovations. At that time, we had to match the funds, which was \$200,000, and it came up very quickly so we really didn't have the money set aside for that renovation. We didn't really think there would be a problem, because we had a building that was worth about \$2 million and we thought we'd go to the bank and say, "We have an arena here that's worth \$2 million; can we borrow on this arena?" Every lending institution we went to in the city of Timmins refused us by saying, "If we have to foreclose on an arena, it wouldn't look too good community-wise." Every lending institution that we went to, even though we could show in our financial statements debt servicing—we were able to show them that—we didn't get anywhere with that at all. So what we did was, like we said in the presentation, two members of the board of directors put their houses up as collateral. We're almost finished the debt already. We have about one more year left, and their houses will be clear of the debt. It was a very trying time during that second phase.

Mr Bisson: That was going to be my question, the two individuals who put up their houses. Most of us would recognize that most people wouldn't do that, put up their own houses as security towards the reconstruction of an arena or anything else. I think it shows the degree of support that, as we call it, "the barn" gets in the south end of the community. It's really an integral part of the community. There's a lot of history, a lot of good memories going back there. I think that's significant.

The question is: I understood that it was paid now. It's not?

Mr St Amour: It's got one more year, Gilles.

Mr Bisson: One more year? I thought it was paid.

Mr St Amour: Right now we have some money set aside. If we ever do get the funding for this third phase, we will probably clear off the debt totally of the other one.

Mr Bisson: The other thing is just to clarify what my colleague Mr Kwinter had raised in regard to "no cash value to citizens." You don't get an operating subsidy from the municipality?

Mr St Amour: We don't get anything. This is basically the first year that we've done this. After all my ice rentals and revenue, I'm able to operate that arena just off the revenue of my ice. So far, we also have access to funding through Nevada tickets and bingos. Right now we haven't had to touch those and we're trying to keep those for capital expenditure projects or something like a breakdown.

Mr Bisson: Which always happens. It brings me to my point to the government members, because I don't know of any other arena that is actually like yours. You say there are others, but I'm not aware of them. I know that the government, a couple of years ago, was toying with the idea of trying to figure out ways of transferring arenas off of the books of municipalities to not-for-profit or private corporations so that the operation of those arenas would not be a financial burden on the municipalities. I know the city of Sudbury was looking at doing that, and there are a few other municipalities around the province. I know that, when questioned about it, the Premier, Mr Harris, said: "This is a good idea. If we can find some sort of way of being able to involve the private sector by way of fundraising to take this burden off of the taxpayer, that would be a good thing." What we come to now is that you actually have the example to the government of what it is that you guys have been preaching. You've got one of these organizations out there that is not getting any tax dollars; they operate strictly by way of what comes through the gate and basically by way of fundraising.

The frustration that we've had, and it comes back to one of the earlier presentations, is that the Trillium Foundation is about the only game left in town. I don't just mean Timmins; figuratively, is what I'm saying. They're a great organization. I think you know them as MPPs. They support a lot of really good projects in our communities. Unfortunately, in the past we had many more dollars to access various organizations. Northern Development and Mines had programs; the Heritage Fund certainly was there. The Trillium Foundation—I'm not sure if their budget was bigger or smaller, but I know they played a bit more of a role. The Ministry of Tourism and Recreation was playing a big role at one point. It gave an opportunity to groups such as yours to go out there and work with local staff to figure out, "How can we do some planning so that next year or two years from now we can do the kinds of repairs that we need to our facilities to keep them current and keep them in good stock?"

The problem we're running across is, when basically the only game in town is the Trillium Foundation and everybody's lining up at the gate of Trillium trying to access dollars, it really makes it difficult when you're trying to do these kinds of projects. What happened in their case is that they have a project that is worth more than the maximum grant that would be allowed by the Trillium Foundation. When I spoke to the manager out of Sault Ste Marie in regard to this particular one—I think the number is actually \$100,000, Jerry, maximum?

Mr Arnott: It's \$75,000.

Mr Bisson: Is it \$75,000? Just for the record, Jerry Corriveau works with the ministry of tourism and recreation. A great guy; you should give him a raise. He's always working with the people around here and across the riding.

1450

The point is that their project is above that threshold, so they're really in a Catch-22 situation. If they're lucky enough to get a grant of \$75,000, they're left with one heck of a shortfall. It's like the chicken-and-egg syndrome. If we make one plea to the government it is this: Give these people the tools they need. The investments we make by way of the Trillium Foundation, or whatever mechanism, to support not-for-profit, volunteer-type groups like this go a long way, because often they're the only game in town. For the Trillium Foundation, Jerry, the total budget for our region is \$400,000? It's about \$300,000; I forget what the numbers are.

Here's the problem: In Mr Ramsay's riding, which is almost as big as mine—you see the map—and our riding, we have all these communities that are competing for \$300,000, and it's a drop in the bucket. It's money well appreciated, but we need the government to take a look at it. It's not like some other communities in other parts of the province where there is a multitude of activities people can participate in. Here that's basically what you've got, and we need to find ways to augment those funds so that organizations like the South Porcupine arena are able to do the work they do.

My last question—and I know I'm coming to the end—

Interjection.

Mr Bisson: I do again? I'm a lot faster than I think I am sometimes.

The Chair: You're good at talking.

Mr Bisson: You know me well, Marcel. What the heck.

If you were to go forward with this particular project and get a 50% or 75% matching grant, could you raise the rest of it? Would you be able to go forward?

Mr St Amour: Yes, we could. I think we've shown in the past that we could do it and I know that we could do it again. The first two phases, however we did it, we were able to do it. If we had to do it again, we could do it again.

Mr Arnott: Thank you very much for your presentation. You should know that this will form part of

the public record that will be presented to the Minister of Finance before the budget is finalized. I would think that if there was need demonstrated across the province for these kinds of projects, there would be a good chance the Minister of Finance would want to be encouraging and supportive of the needs that exist in terms of our recreational facilities.

You said that you need a new arena floor. What's wrong with the old one? Can you give me a better idea of what the problem is?

Mr Bisson: It takes a lot of water to fill the holes.

Mr Arnott: It's cracking, isn't it?

Mr St Amour: The floor was poured about 25 years ago. What's happened is that the arena business has changed drastically over the last five years. We are one of the very few in this city that operate 10 months of the year. Our floor was not made for that many months of operation, so every time we take the ice out, the frost heaves our floor, because there is no insulation. Twenty-five years ago they just poured cement and that was it. We're now up about 10 inches in the middle, so it's a big hump right now. As Gilles says, yes, there's a lot of water filling in the sides.

We've tried to change the look in this area for these arenas. As I said, most rinks only operate six months of the year. By staying open 10 months of the year, we're encouraging other hockey teams and other organizations coming in from Sudbury, North Bay and others which come to the city of Timmins. Some people have said, "Maybe you shouldn't keep the ice in," but in other ways it's also encouraging a lot of tourism and everything else. So that's what we're trying to do with the South Porcupine arena.

Mr Arnott: Is there an arena in Schumacher?

Mr St Amour: Yes, that's the one I referred to, the McIntyre arena. There are two bigger arenas in town, the McIntyre and the Archie Dillon Sportsplex, which at one time had summer ice. I'll just give you an example. They used to bring in, say, \$25,000 in revenue, but it used to cost them about \$55,000 in expenses. I couldn't operate that arena if I were to operate like that. So that's the arena. They go about \$1,000 a day in the hole.

Mr Arnott: Is there a recreational lacrosse program in the summer months in South Porcupine?

Mr St Amour: No. When we renovated for those two first phases—we are a hockey arena. The figure-skating club and hockey use the arena. We use it all summer. That is basically what we use it for.

The Chair: On behalf of the committee, thank you very much for your presentation this afternoon.

TIMMINS AND DISTRICT HOSPITAL

The Chair: Our next presenters are representatives of the Timmins and District Hospital. Could you please step forward and state your names for the record.

Mr Wally Wiwchar: Good afternoon. My name is Wally Wiwchar. I am the chairman of the Timmins and District Hospital board.

Mr Esko Vainio: My name is Esko Vainio. I am the executive director of the Timmins and District Hospital.

The Chair: On behalf of the committee, welcome. You have 30 minutes for your presentation.

Mr Wiwchar: When we first heard we might have to make this presentation in Kenora, I was a bit concerned. As you can appreciate, having to make a half-hour presentation that far away reinforces the distances and the isolation we have to face when working in northern Ontario.

We are pleased to be here before your committee to make this presentation at your pre-budget meetings. We appreciate this opportunity to outline some of our concerns relating to the provision of health care in the north.

You have in front of you an information package that includes our presentation this afternoon and a couple of documents I will be referring to.

As chair of the largest hospital in the area, the only C-level hospital, we have a basin of referrals that serves patients from the James Bay coast west to Chapleau—or maybe it's northwest to Hearst if you look at the map—east to the Quebec border and south to New Liskeard. It would be very easy for me to present a litany of problems that have been overlooked or avoided by this and previous governments, but I think that would be unproductive and would reinforce the perception that we are beggars looking for handouts. As a chronically underfunded hospital servicing close to 100,000 residents, we have jumped through every possible hoop. We have participated in every study put forth. Our staff and our board have been committed to providing quality health care to meet district expectations and patient needs.

Our calls for help in the past have not resulted in the financial support that health care so desperately needs. Our financial difficulties have precluded us from actively pursuing some needed clinical service enhancements for patients in the district. As an example, over the past week I received four letters from residents of this community concerned about the lack of ophthalmological services here and the fact that they have to travel long distances to Sudbury or North Bay, or in one case Peterborough, to take family members for eye surgery as basic as cataract removal. I personally have had to take my mother-in-law to North Bay and my mother to Sudbury in winter driving conditions. There is a population base here that would support an ophthalmologist, but unfortunately the cost to the district hospital would be in the area of \$150,000 from an operating budget that is way overtaxed as it is. Because we don't have adequate funding, we have to deny our residents that basic level of service.

Last week, we submitted our three-year deficit recovery plan to the Ministry of Health and Long-Term Care for consideration. For your information, there is a media release and recovery plan newspaper article in your packet.

Our proposal is for a partnership with the ministry to jointly work out our financial problems in pursuit of

fiscal viability. Again, we are not here to beg. Instead I am here to remind you that common sense should dictate the solutions to recurrent problems. Many of those common sense solutions—I hate to use that term, because I know it is part of a political platform—have been communicated to government through one report or another.

What is the Timmins and District Hospital's mandate? We are the only level-C hospital in what the Health Services Restructuring Commission has called network 13, composed of nine hospitals, including Hearst, Kapuskasing, Smooth Rock Falls, Lady Minto Hospital in Cochrane, Anson General Hospital in Iroquois Falls, Bingham Memorial Hospital in Matheson, Kirkland and District Hospital, Chapleau Health Services and of course the hub, Timmins and District Hospital.

1500

Network 13 forms the largest network of hospitals in Ontario, servicing the health care needs of its population of, as I mentioned, close to 100,000. As a level-C hospital, we are able to provide specialist services in smaller community clinics such as Hearst and Smooth Rock and to the larger scene by referral to Timmins. A loss or reduction in these specialty services would result in an increased travel requirement for patients and their families to larger southern centres.

In looking over the composition of your committee, I noted that you're all from southern Ontario and you're all within one hour's travelling distance of a tertiary care facility.

Mr Bisson: I'm from up here.

Mr Wiwchar: Oh, Gilles, I'm sorry. However, the rest of this committee is. You're within one hour of a tertiary centre. In northern Ontario, from Timmins, for example, it is a three-and-a-half to four-hour driving situation to Sudbury, to a larger centre. If you're from Hearst, it's closer to seven or eight hours. It is easy to say that you can fly, but the airline service is sporadic at best and subject to the whims of Mother Nature. So the tertiary care hospitals are not as accessible as they are in southern Ontario.

A yet-to-be-released public health report, Report on the Health and Status of the Residents of Ontario, by professor Larry Chambers of McMaster University and funded by the health ministry, has revealed disturbing results. In your packet, there is a yellow sheet that gives you some of the demography, or the incidence.

Residents north of Parry Sound have the highest mortality rate compared to six other provincial health regions. Northern Ontarians are the least healthy people in the province. If you look, you can extrapolate that the Cochrane district is even worse than the whole of the north.

People in the north are disadvantaged in many ways with health care. There is limited access to health care. These are bullets right from the report. The morbidity rates for various diseases are higher than the provincial average, for example, cardiovascular, respiratory, cancer and injuries from accidents. Chronic disease rates are higher.

The report cannot be shelved or overlooked. It must become the catalyst for action by the government. Beyond the obvious need to address today's operating deficits with long-term solutions, we are drawing your attention to several broad areas that we think the government has to look at.

Mr Vainio: First, investment in technology: In numerous government documents we are challenged to provide quality health care which avoids duplication of efforts, provides care as close to home as possible, avoids unnecessary transport or travel for hospital services, is responsible and accountable to those it serves and strives to meet or exceed the appropriate level of care as identified by the Ministry of Health and Long-Term Care.

The technology to link area hospitals and beyond, via information technology, telemedicine projects such as the North Network and digital imaging with teleradiology, is not futuristic; it is here but needs the financial resources to bring its benefits to the patients in northeastern Ontario.

Imagine a victim of a snowmobile accident in Moosonee being transferred to Timmins for treatment and requiring periodic visitations in Timmins for follow-up. Using modern technology, the initial diagnostic imaging could be done in Moosonee and the data instantly transmitted digitally to Timmins for reading. The old technology means that film would be transported by air to the radiologist in Timmins. Via teleradiology the specialist could provide diagnostic and therapeutic assistance by CT scanning, MRI or whatever. Once the diagnosis is facilitated and the treatment initiated, consultation with specialists, whether in Timmins, Sudbury or Sunnybrook Medical Centre, can be accessed through telemedicine. The North Network needs to be supported and expanded not at some time in the future, but now.

The greatest immediate need in Network 13 hospitals is the investment in information technology, essential since the structural and natural obstacles currently facing the north are unlikely to change. In health care, information technology will provide a tangible means to more efficiently respond to transferring patient data between hospitals, improve financial management, and provide the level of access and care common to patients in urban areas of the province. Information technology will assist with the recruitment of specialists, address community isolation, the weather and availability of emergency services locally. I would reinforce with you that almost 50% of the specialist work at our hospital is in servicing the residents outside of Timmins. The percentage is increasing. We expect the same levels of financial support for IT as were granted to larger hospitals reviewed by the Health Services Restructuring Commission.

Initiatives such as the NEON group, the Northeastern Ontario Network, a partnership between seven hospitals in Chapleau, Englehart, Kirkland Lake, Temiskaming, Timmins, Sudbury and Network North, formerly the Sudbury Algoma Hospital, need financial support. The

partnership was created in 1998 to facilitate a regional approach to health care information systems by having all member hospitals utilize the same health care information system, which in this case is Medical Information Technology's—Meditech—integrated health care information system. Charted diagnostic test results, patient histories and previous treatments performed at one NEON hospital will be able to be accessed from any of the other NEON sites, eliminating unnecessary duplicate testing and procedures when patients are being referred from one institution to the other.

Mr Wiwchar: Within your packages there are two documents, Physicians for Ontario and From Crisis to Stability, that are part of the next portion. The McKendry report, Physicians for Ontario, on physician supply and distribution issues, as well as a northeastern proposal, From Crisis to Stability, needs to be acted on sooner than later—the reason basically being that we're losing doctors throughout the north because of inactivity.

The McKendry report identifies the larger provincial concerns and lists the recommendations on pages 73 to 87. I did not give you the whole report; I just gave you the recommendations. The entire report is quite bulky. I have attached the recommendations to our brief. Physician recruitment and retention have always been a significant issue in northern Ontario. Over the past few years, shortages have also spread to many southern communities and, in turn, have aggravated the situation in northern communities.

Southern solutions—and I emphasize “southern solutions”—imposed on all doctors have impacted significantly on northern health care and created situations where neighbouring communities are competing to attract doctors from larger communities, albeit on a temporary basis, but it causes communities such as Timmins to have doctors withdraw privileges so that they can do lucrative weekend coverage in smaller communities.

You might recall that this summer, as a result of the Scott sessional fee implemented to solve the emergency room shortages in small rural southern hospitals, we have lost doctors who have seen more lucrative economic opportunities. There are communities in the north where a doctor can leave Timmins to practise in a small outlying rural clinic and be paid \$150 an hour for being on call. In order for them to work at our hospital, they are expecting the same consideration. The result is that we have had nine doctors withdraw hospital privileges and leave orphaned patients at our doorsteps, that is, patients who do not have a doctor. Orphaned patients have become a major issue at our hospital, and it's growing. Our family physicians are now required to manage the orphaned patients who now account for 4,500 patient-days per year. This represents 36% of the workload on the medical floor.

Our doctors have indicated that the current OHIP rates for in-patient work are insufficient to remunerate them for looking after these patients and are proposing a reorganization that would cost the hospital \$500,000 a year, this at a time when we are facing a substantial

operating deficit with no relief in sight. The end result is a reduction of services and the layoff of hospital staff. The hospital and the medical community in Timmins are in a difficult position. Everyone agrees that the physicians are inadequately remunerated to perform many of the duties the hospital requires them to do. They also agree that the funding for these services should not come from hospital operating budgets. For example, a doctor covering on a medical floor gets \$16.28 for that visit. That takes him away from his office where he could see six, eight or 10 patients in the same time, because most of these visits in the hospital take upwards of 45 minutes. Then add the driving time from their offices to the hospital, parking etc. For the one hour of professional services in the hospital they are making \$16.28.

The problem we have is the same as in most other medium-sized hospitals. We have fewer and fewer family physicians doing more and more work with sicker hospital patients. Physicians leaving hospital work cite the reasons as the payment system, the in-patient acuity, or the sickness of the patients—patients in the hospital are sicker today than they were 10 years ago—and lifestyle choices. Many of these family physicians have young families and they're not prepared to work 12, 14 or 16 hours a day.

1510

Patients backed up in emergency departments waiting for a doctor to agree to look after them—to agree to look after them—is simply not a viable option for our community, for the hospital, for the physicians and clearly not for the politicians.

We need you, our elected representatives, to ensure that doctors are appropriately compensated, and we don't feel that the current negotiations with the Ontario Medical Association will result in significant changes to the levels required, particularly when it comes to on-call services. We need you to advise the Ministry of Health to free up monies for hospitals that would support new models to keep physicians working in those hospitals. We support that alternate payment programs would go a long way towards retaining our doctors.

Many current initiatives have focused on recruitment and retention in the short term but, once these initiatives expire, there is no enticement to address long-term retention. The successful resolution to the chronic shortage in the north will entail a multi-faceted approach. Governments must not create funding arrangements that further exacerbate our problems.

A case in point is a situation we recently had where a local specialist was going to Thunder Bay to cover on a locum. The doctor from Thunder Bay was coming to Timmins to cover for the doctor from Timmins who was going to Thunder Bay. Why? Because there were economic enhancements to the package for them to work in the other community, to leave their home community. This is a travesty of the health care system. Many of the solutions are right in front of us, but no one is listening.

Mr Vainio: Funding for equity of health not for competition in service: The current practice of giving money

or incentives to smaller hospitals only strains working relationships and creates competition for doctors. A case in point is the special and locum incentives available to small hospitals. Smaller area hospitals are offering huge compensation packages—over \$1,500 per day—to doctors willing to provide coverage in emergency rooms. These funds do not come from hospital operating funds but from grants, incentives and accrued surpluses. The targeted doctors for this coverage are doctors practising in medium-sized hospitals. Timmins and District Hospital, for example, is not eligible for these grants and incentives. To retain its doctors, the hospital is faced with providing comparable incentives out of its scarce operating funds.

Grant money and incentive assistance from government should be helping all northerners, not just a portion, especially when hospitals overlap in serving the same population, but at different levels. At best, government money must not be used to create and foster competition for scarce resources, human and otherwise. This becomes an escalating situation, and identified problems are not resolved.

Please, no more southern solutions to northern problems. They don't work. We urge you to read *From Crisis to Stability*, which we have attached to our presentation. Dedicate the financial resources to address recruitment and retention strategies proposed in seven identified categories: (1) educational initiatives; (2) lifestyle initiatives; (3) service delivery models; (4) remuneration retention strategies; (5) regional integration initiatives; (6) opportunities to explore expanded nursing roles; and (7) regional infrastructure development.

Not all of them cost money. Remember, northern solutions for northern problems.

Mr Wiwchar: In a recent letter to Mr Tim Hudak, Minister of Northern Development and Mines, I drew his attention to the concern over Timmins and District Hospital's ineligibility to access special grants from the northern Ontario heritage foundation for medical equipment and capital improvements because of our community's size. That same restriction applied to Sudbury, Sault Ste Marie and Thunder Bay. Timmins and District Hospital needs those precious dollars to continue to provide health care support to the small communities that were given grants. A recent study, as Esko mentioned, shows that our referrals have grown to almost 50% of the specialist work coming from these smaller communities. Once again, common sense should prevail. Please look at the larger picture when establishing criteria for special grants, because often the populations from those smaller communities are being serviced in the larger or medium-sized communities.

Mr Vainio: The bottom line of our presentation is that our province needs to provide a priority investment to improve the health status of northerners, who represent the population at highest risk for illness and disease. Again, what Wally showed you was the sheet that shows potential years of life lost provided by the Northern Health Information Partnership in Sudbury from a report

they did in 1998 indicating that northerners are at very high risk for death from various diseases compared to the rest of Ontario.

The following areas must be addressed in a concerted fashion:

We need health promotion and disease prevention programs building on what exists in some parts of the north—heart health programs and diabetes programs.

We need diagnostic and treatment services; for example, expanding women's health services, renal dialysis services, as well as oncology or cancer care services.

We need rehabilitation programs. For example, my previous employment was at the Sudbury Memorial Hospital. If you're not a resident of the Sudbury area, there's only one other community in northeastern Ontario that has a cardiac rehab program. Patients who have had a major cardiac event and have had to be hospitalized in Sudbury—had balloon angioplasty, had heart surgery—go back to their communities. There is no cardiac rehab program except for one in North Bay.

These are some of the issues that face northerners. Again, Sudbury continues to receive patients from the northeast, from the Cochrane district, and those patients keep on going back again and again because there are no programs locally to help them out. The same holds true with pulmonary rehab programs.

Recruitment and retention of health care professionals must be dealt with. Resolve the hospital-based physician remuneration issues, as well, they pointed out. We need an investment in health care technology. It's very important that the hospitals are linked to provide the best information exchange for patient care purposes, not to mention being able to bring those hospitals into the modern era with some of the technologies that are required to communicate with one another, not to mention handling their own management and financial situations.

There needs to be support of northern level-C regional referral hospital needs. Again, the level-C regional referral hospitals are in Thunder Bay, North Bay, Sudbury, Sault Ste Marie and Timmins.

Please don't forget about northern health care needs as you return to the north.

Winston Churchill once said, "Give us the tools and we will win the war." That too applies today.

We would like to end with a medical analogy. It is either cosmetic surgery today or it will be amputation tomorrow. You have the power to influence decisions. Do you have the will? The challenge is collectively ours to address the health care needs of today and tomorrow in the north. We must remember that the future can be managed. It should not be allowed to unfold on its own.

Thank you again for this opportunity to be part of your pre-budget hearing process.

The Chair: Thank you very much for the presentation. We have approximately four minutes per caucus.

Mr Bisson: Just quickly, how often does that happen, where you talked about doctors travelling at cross-purposes when it comes to locums? Does it happen a lot?

Mr Wiwchar: This was one incident that was divulged to us two weeks ago, when we had a meeting with a specialist. I'm sure there are other examples. I don't want to get into the specialty areas, but we heard of one where there was a three-doctor rotation to three different communities. Through that grant program, it becomes very attractive. Doctors will schedule their holidays to get the extra economic incentive of going elsewhere. Those grants do not come under the capping formula.

Mr Bisson: I know. I'm going to look into that because that's really not utilizing dollars the way that we should.

For the committee's benefit, the unfortunate problem we find ourselves in with the Timmins and District Hospital is that it's a little bit of a creature of its own success. We successfully worked towards building a new hospital. That was done in the early 1990s. Unfortunately, funding models changed in the 1990s, and that was partly our own government, given what was going on in the economy, and basically you guys have continued on with that. But the other thing is that the hospital has done a really good job of trying to develop the services that are necessary for our community. More and more it is being utilized as it should be, as a regional centre.

What's happening is that these guys are trying to operate this hospital not just for Timmins but for everybody who was mentioned in the presentation. Unfortunately, we've been having this deficit problem with the operating budget now for the better part of eight or nine years, that I can remember. Recently they've had to, by force by the Ministry of Health, present a deficit recovery plan. I wonder if you can speak to what the effect of this is going to be when it comes to existing services and future services, because we're talking \$2.8 million that has to be trimmed from your budget, according to that plan.

1520

Mr Vainio: In the first go-round with our recovery plan, and we're waiting to have a meeting with the ministry to pursue it further, we forecast that our annual operating deficit would be in the range of \$5 million to \$7 million in three years' time if we did nothing. Again, the range is because of certain assumptions that we were using.

The recovery plan itself identifies \$2.8 million worth of savings plus \$640,000-odd worth of new revenues. For the balance of that money, we're looking for support from the Ministry of Health in regard to transitional restructuring dollars as well as operating base adjustments. In essence, since we started a strategic planning process as a hospital, we have tried not to cut the level of services to our local community and the district we serve with this operating plan. We hope it will be acceptable to the Ministry of Health. If we don't receive the money the hospital needs in order to recover financially over the next three years, we would probably have to make major cuts in the level of service we provide.

Mr Bisson: And then transport more patients to Toronto, at a greater cost to the overall system.

Mr Vainio: That's correct.

Mr Galt: Thank you for your presentation. I believe you're the first hospital board to come before the committee, and maybe the only hospital board, as I glance over the list. I really appreciate your thoughts. We have heard other health groups presenting, and there is a common thread there, but a hospital board is very much appreciated.

The whole health area is such a struggle that we're going through. I think you're probably quite familiar with the study that McMaster and the University of Toronto did on the cost of health care today: \$2,000 for every man, woman and child; by the year 2030 the cost of health care projected will equal our income. I think that's pretty scary. Not to belittle the comments you're making here today, but I think it sounds like chicken feed compared to the decisions we'll have to make by, say, 2010. There are going to be some pretty big, major, tough, life-type decisions, I think anyway, with the technology that's coming on and the aging population. You've heard that many times over.

Part of the physician availability problem goes back to 1992, and I'm not blaming the previous Ontario government. It's my understanding the federal government came out with a report that we had more physicians and more spaces to train them than we needed. So we shot a bunch of them down. I guess it made sense at the time, but it doesn't today.

I have two questions, and they relate to your off-handed comment that—I've got to understand this better—if a physician from Thunder Bay comes to Timmins and a physician from Timmins goes to Thunder Bay, they're both better off, and we, the taxpayers, are not better off, but the patients at least get service. That's what I understood you to say. Could you explain that so I understand it better?

Mr Wiwchar: Under the current locum enhancements, the economic benefits to a specialist from Timmins practising in Thunder Bay or Sudbury, whatever, allow them to go through the cap that is imposed on their fee structure. So, naturally there's an incentive for them to go to another community to practise.

Mr Galt: Oh, it relates to the cap.

Mr Wiwchar: It not only relates to the cap but to the incentive they would get for being on call. They could not be working one hour overnight, not be doing any consultation, and yet be paid \$150 an hour for that hour that they're on call. So there is an enhancement. We have doctors from Timmins who close their practice down for a week and, with the weekends, that gives them a chance to practise in a smaller community, and they can make upwards of \$15,000 in that one week. It's by the grant structure, the fee structure that exists for underserved areas.

You'll notice in our presentation that we tried to avoid mentioning specific hospitals because—what's the saying?—as the watering hole starts to shrink, the animals start looking at each other, and we don't want to—

Mr Galt: You have some beautiful comparisons in here.

Mr Wiwchar: I'm not as good as Mr Bisson.

Mr Galt: Maybe all of a sudden I understand why in July, when I had a kidney stone and went into the Trenton hospital, the physician in the emergency ward came from Kingston, and how gracious they were to rotate in that practice to come up and serve that hospital. I think I now understand why they were so gracious.

Mr Wiwchar: And you can appreciate a young doctor coming out of training with loans somewhere in the region of \$60,000 to \$70,000 to \$80,000 wanting to maximize their income during those first years of practice, so they're prepared to go to the smaller communities—and God bless them, we need them. However, it impacts on our level and our ability to provide in our communities.

Mr Galt: A last quick question. We've heard it before: disease, illness, chronic disease, more of it in northern Ontario than in the south. Why? Is it the weather conditions? Is it the—I don't know. Why?

Mr Wiwchar: I also happen to sit on the board of the Porcupine health unit. We have been looking at this. Primarily it's a case of lifestyle: dietary factors. In some of these situations, it's environmental factors also. I think Mr Bisson is very familiar with the workers' compensation incidents, and those have related occupational disease structures. I think we can explain them away, we can rationalize them away. Some of it is just basic dietary issues, tobacco use, alcohol use.

Mr Phillips: Thank you for a very professional presentation and very good backup material. Thank you to the board, who give all their time to health care.

You say in your brief that the solutions will not be found in the current round of negotiations between the government and the doctors. But that is where a lot of these kinds of issues seem to be debated and put into contractual language. While the solutions may not be found there, there will be agreements reached there that may make the solutions less easy to find. Have you any advice for us in terms of what we should be thinking about as these negotiations go on?

Mr Wiwchar: If you look at the two documents we passed out to you, many of them are not remuneration issues. Many of them are lifestyle issues. Many of them are factors or strategies that we can put into place without going to the remuneration package.

The current OMA negotiations are not, to my understanding, looking at issues surrounding the actual operation of doctors within the hospital. We're not too confident that's going to result. There's an undercurrent among the doctors in the north, and the doctors don't support some of the initiatives that the OMA is taking, but that's their organizing group. If you look at the power structure of the OMA, it is such that the family physicians have one voice around the table, an equal voice with all the specialists, so they are diluted by numbers and they're not very confident that their issues will come to the front. The negotiations have to be completed by the

end of March, I think, with recommendations by the end of April.

Mr Vainio: If I could add to that, it's important that through the negotiations the best result we could hope for is that there is going to be more remuneration for physicians doing hospital-based work. That relates to whether it's family physicians, geriatricians, specialists etc so that there isn't a disincentive to pull away from hospitals and do lucrative office practice, which is the current disincentive.

Mr Wiwchar: I guess we're saying there is some support for Mr Harris's position to put some of the doctors on salaries. That's one option.

Mr Phillips: We had discussions earlier today about the jargon in health areas, these silos, and my feeling is that we're continuing to operate with the silos. I believe the language in the contractual agreements between the government and the doctors is fairly specific and therefore institutionalizes and legalizes some of the concerns you have. That would be my judgment. Does the Ontario Hospital Association have sufficient input into those discussions, in your mind?

Mr Wiwchar: That's a good question. I know that David MacKinnon meets regularly with the minister. He is the president of the OHA. I guess we've got some quandaries that are beyond the parameters of the Ontario Hospital Association. We're not always convinced that the Ontario Hospital Association speaks for northern Ontario. That's why we've at times almost threatened to form our own association, which we think would be counterproductive. But when you look at the structure the way it is in southern Ontario, the emergency room crisis in Toronto got rapid attention. Our crisis here is just as impending. Twenty-three million dollars was thrown at a problem in one weekend. Very quickly solutions can happen in the south, but it seems up in the north we get isolated.

The Chair: On behalf of the committee, gentlemen, thank you very much for your presentation this afternoon.

Mr Phillips: Do you treat frostbite at your hospital too?

Mr Galt: Or hypothermia. On a point of privilege, Mr Chair: Do you suppose the management of the hotel might turn the heat up just a little bit?

The Chair: We requested that a while ago, as a matter of fact before lunch. I think that's probably as good as you're going to get it today.

Mr Phillips: My glass of water is frozen.

Mr Galt: I went to get a cup of coffee just to hug it.

1530

PORCUPINE PROSPECTORS AND DEVELOPERS ASSOCIATION

The Chair: Our next presenters this afternoon are representatives from the Porcupine Prospectors and Developers Association. Please step forward and state your name for the record.

Mr Robert Calhoun: Good afternoon. My name is Robert Calhoun, and I'm here representing the Porcupine Prospectors and Developers Association.

Mr Stew Fumerton: My name is Stew Fumerton, and I'm the vice-president of this association.

The Chair: On behalf of the committee, welcome. You have 30 minutes for your presentation.

Mr Calhoun: In the information package you received, immediately behind my text you will find three or four pages from our newsletter, the Explorationist. The title is a little bit hard-hitting, but that's the way we feel most of the time. Behind that you'll find additional coloured graphics of what I am going to speak about. I would like to acknowledge the Prospectors and Developers Association of Canada for providing the pages that make up the end of the booklet you received. I would also like to thank my colleague Mr Fumerton here for providing the beautiful colour graphics.

Chairperson and committee members, good afternoon. As I said, my name is Robert Calhoun. I am a professional geologist, and I am here today representing the Porcupine Prospectors and Developers Association.

As president of this association for the past two years, I have seen a dramatic shift in the employment level of our membership. Since December 1997, when I personally fell victim to the present downturn in exploration activity, I have received reports on nearly a monthly basis about another group of people who have lost their jobs, and too often I've had to announce another company which closed its doors completely. It's rare that any of these developments made it into the local media, let alone the media based in southern Ontario. The object of this presentation is to gain your support for what we feel is the single most viable solution to the collapse of the Ontario mineral exploration industry: the flow-through share program.

Today I will present the facts of the situation. The Ontario and indeed the whole Canadian mineral exploration industry is in the worst downturn in its history. High-risk capital, on which this industry survives, has become nearly impossible to raise. Moreover, most of the available exploration capital is going to projects elsewhere in the world. For the decade leading up to and including 1992, senior Canadian companies tended to spend proportionally most of their exploration dollars in Canada. In 1992, the ratio was 60:40 in Canada's favour. The expected ratio for 1999 is about 20:80 against Canada.

In Ontario, total exploration expenditures are expected to be approximately \$80 million for 1999. This is a drop of over \$120 million since 1996, when over \$203 million was spent by all sectors of the industry, including monies spent around operating mines. The junior mining sector has suffered a comparable drop in their exploration budgets. This drop has left many of our junior mining companies insolvent and without the necessary funds to undertake an exploration program.

This lack of money has led to the loss of human resources. Professional geologists and geophysicists who no longer practise and diamond drillers familiar with

sophisticated hydraulic and electro-hydraulic equipment have been forced to seek other types of employment. This has eroded Canada's pre-eminent global position as a provider of professional consultants and skilled operators.

There are many causes for the present situation, including economic slowdowns in other parts of the world which have contributed to the downturn in base metal demand and the weakening of metal prices, in particular copper, nickel, lead and zinc. Gold prices have been depressed since 1996 due to sales by central banks resulting in the lack of interest in exploring for gold. Just as a point of fact, gold is down \$4.35 today. The Bre-X scandal and the emergence of the Internet sector have further eroded investor interest in the mining sector, particularly the junior sector.

What does this mean for Ontario? The shift of investment capital away from mining has led to a dramatic decrease in market share. An ever-increasing share of high-risk capital is being directed towards Internet dot.com stocks. Toronto, which has long been one of the major power bases in the world for risk financing, is now losing that distinction. Ore reserves in Ontario are on the decline and have been for a number of years. This will impact on the mining royalties that the Ontario government collects in a few short years as mines continue to close and no replacements are brought on stream. Northern and rural communities in Ontario whose economies are supported by two main pillars, mining and forestry, are at risk.

The Fraser Institute, which ranks mining jurisdictions in the Americas, has dropped Ontario from the second-most favoured jurisdiction to seventh place in just one year. One of the major contributing factors to this drop was the shift in public policy known as Lands for Life. This, however, was not the only factor. Changes in government policies in other provinces have resulted in those provinces being favoured over Ontario. In particular, our neighbours to the immediate east and west, Quebec and Manitoba, have made it known that mining is important to them and they are willing to share some of the risk. Also, both of these provinces have instituted permitting measures designed to facilitate mineral development rather than hinder it.

Ontario is underlain by some of the most productive geological features anywhere in the world. Ontario also hosts a number of world-class ore deposits of copper/zinc, nickel and gold. In addition to these more traditional deposits, recent discoveries have been made in phosphate, resulting in the establishment of a new mine near Kapuskasing. Diamond exploration in the province is also on the increase and could lead to the development of Ontario's first diamond mine.

What needs to be done? There needs to be a short-term stimulus to create investment interest in Canada. This stimulus would kick-start exploration in Ontario and Canada and it would increase the probability of a new discovery in Canada. Any new discovery would invoke an industry-wide recovery and this recovery would

stimulate the economies of rural and northern communities in Ontario no matter where in Canada the discovery is made.

1540

We feel that the biggest single solution is an enhanced flow-through share tax measure. Because of the high inherent risk associated with exploration, Revenue Canada presently allows exploration companies to write off 100% of their exploration expenditures in the year they were incurred. Because most junior companies have no income, they issue flow-through shares and pass along the write-off to the investors who purchase the shares. The investor can then write off 100% of any money invested against any income.

The shares cannot be sold for one year, and when they are sold, Revenue Canada deems that the investor bought the shares at zero dollars and taxes the entire proceeds of the sale. In effect, this is a tax deferral system, a system in which everyone wins. The investor gets a deduction in the year of acquisition; the company gets funded; governments collect taxes on the exploration activities and, more importantly, collect taxes on the new wealth generated from any new mines created. Northern and rural communities also benefit from a highly effective regional development program. One other important factor is that all funds raised in this manner have to be spent in Canada.

During the recession in the early 1980s, the government allowed a premium of 33 1/3%, allowing investors to deduct 133% of their investment against any income. The funds raised in this time period stimulated the economies of northern and rural communities, led to the discovery of a number of new mines and laid the groundwork for the discovery of two world-class diamond mines in the Northwest Territories. This strengthened the tax base on which all levels of government depend.

The exploration industry has developed a new and improved flow-through system. Valuable lessons were learned from our previous experience. The new, time-limited, focused flow-through program would be defined by the following key elements: The premium would be 40% initially to capture the attention of the investment community; there would be a regional development focus on northern and rural areas; the money raised could only be used for surface exploration; and there would be a scale-down formula that will lead to the termination of the program by December 31, 2002.

There is a limited cost to the Ontario government. The program is underwritten two thirds by the federal government and one third by provincial governments. However, the program is a tax deferral situation. If the program fails, the cost to government is zero. If it is successful, the new economic activity stimulated by exploration and the discovery of new mines will generate new tax revenues to offset the initial cost. The new activity will reduce the number of people receiving unemployment benefits, reduce the welfare costs in some communities and stimulate secondary industries like manufacturing, the service industry and equipment suppliers.

In summary, there is a need to stimulate the exploration industry, and the focused flow-through program for high-risk investment has the best chance of success. It will increase exploration activity and may lead to the discovery of new mines. These discoveries will create employment and economic activity in northern and rural areas.

The focused flow-through program is a tax deferral system. Exploration and mining are still pillars on which this country is supported. So we ask you, as members of the Ontario finance committee, to lend your support to this program and to urge the federal and other provincial governments to institute the program as soon as possible. The reason we ask you, as members of the finance committee, is that we are asking the Ontario government to forgo tax revenue in the short term which will be recovered in the long term and in the interim will support the northern Ontario economy.

My colleagues and I are not looking for a handout but rather a hand up. Thank you for your attention.

The Chair: We have five minutes per caucus and I'll start with the government side.

Mr Galt: I'm just interested in the timing. We've also had the miners come before us wanting the tax structure brought down to 12%, which would be quite a boost for the mining organizations.

But you're talking here, in prospecting, about the flow-through as delayed revenue for the province, and I can follow that thinking. The one that's bothering me—Lands for Life started out where it should have been a win-win for everyone, and that seems to be what I'm hearing. You've zeroed in on 1997, when there were some problems with prospecting and mining and the environmentalists were concerned from the other side.

Where has that left you, is what I'm trying to sort out, in prospecting that's so against you, from what I'm hearing in your presentation? I'm just not getting the facts, the details, to really appreciate and understand it. Can you help me there a bit?

Mr Calhoun: As far as the Lands for Life issue—and they've now called it the Ontario Living Legacy—they have removed lands and placed them into parks on which we can't explore. As a statistic, it takes 25,000 claims to find 100 claims on which we want to do advanced exploration to find one claim that might hold a mine. So as they take away land from us, it reduces the area in which we can look. Some of the land they have taken is in high-mineral-potential areas, and that reduces those 25,000 claims that we did have down. There's still land to be looked at, but every time they take away more land for parks and restrict us from going in there, that hurts.

Mr Galt: You're telling me that the areas designated Lands for Life, or the Legacy, is 100% you cannot touch.

Mr Calhoun: Right, in the areas they have designated as parks. They do have conservation reserves in which they are restricting the forestry companies but we are still allowed to explore.

Mr Galt: That explains why I hear from the other side and the environmentalists in the south who are saying:

"We didn't do anything. You're still letting them mine and carry on in those areas." I think you've explained it to me to be a little clearer on where they're coming from on both sides.

Mr Arnott: Thank you very much for your presentation. I want to make sure I fully understand your proposal in terms of enhancing the flow-through-shares tax measure. You've said that right now an investor can write off 100% of their investment, right?

Mr Calhoun: Right.

Mr Arnott: And you're suggesting it should go up to 140%, with the provincial government making up the difference?

Mr Calhoun: The 140% is two thirds subsidized by the federal government and one third by the Ontario government.

Mr Arnott: All right. And really it wouldn't cost the provincial government anything.

Mr Calhoun: You're going to forgo taxes. If someone puts in \$100,000 against their income, you are going to forgo the taxes that they pay, but they get the shares—

Mr Arnott: Only in the short term, though, right?

Mr Calhoun: That's only in the short term, and when they sell their shares and hopefully make a profit on them, then you will tax it as if it was zero when they bought them.

Mr Arnott: I think I understand. Thank you very much.

Mr Kwinter: I just want to let you know that I support your proposal. I think it's important, and it's important that people understand.

You say, "What does it mean for Ontarians?" and you say, "Ore reserves in Ontario are on the decline." Well, the ore is not on the decline; it's the identifiable reserves that are on the decline because there hasn't been enough money spent on exploration to identify new reserves. I agree with you that that is a major problem. I've said this many times, that the geology in Ontario is probably the best in the world, or among the best in the world. There isn't a problem with that. The problem is that with the mining tax of 20% and with the red tape and with, as you say, the restrictions on getting into certain lands, there is a disincentive for Canadian and Ontario development companies to pursue projects in Ontario. They go elsewhere. You point that out quite dramatically when you show how the ratio has changed, and now you've got 80% of the Canadian companies looking elsewhere. I think that is a very serious problem when you consider that not only do we have good geology here but we also have, and have the reputation of having, some of the best mining people in the world. I think that is absolutely critical.

I just want a clarification. When you say the money raised can only be used for surface exploration, does that mean you can't fly over and use that kind of technology?
1550

Mr Calhoun: No. Under the old flow-through system, and Stew will correct me if I'm wrong, you could put in an exploration shaft and charge that money against flow-

through shares. You could actually do some underground mining under the old system and use those dollars to do that. This one is just for doing airborne surveys, ground surveys and diamond drilling. Once you start to get into the situation where you are developing a mine, then you would go for funding from your major company outside the flow-through system. This is just to stimulate surface exploration and put guys like Stew and me back to work.

Mr Kwinter: I think you also identified another problem. At one time the junior mines and the mining industry were one of the only games in town for investors because of the great tax incentives. It was also a chance to maybe get lucky and hit a Hemlo or something like that. But what has happened now is that you have all these Internet companies and IT stuff, which has really caught the attention of speculative investors, coupled with the sort of down reputation of the Vancouver Stock Exchange, which was a great source for raising money for these kinds of projects. I think all of that has compounded. All these things together have created a sort of negative impression of the industry, and I think it is really going to take some help by the government's allowing your proposal—the tax flow shares—and just bringing to the attention of the investing public the opportunities and how they can be exploited, in the finest sense. Do you have any feeling about that?

Mr Fumerton: Mining is a high-risk game, and your odds of winning are very slim. But if you do win, your odds of a reward are pretty good as well. So in terms of exploration, this thing is to get attention back from, say, Internet stocks that have certainly hogged the limelight for quite a while, getting attention and driving their shares up. I keep making the analogy: What are the odds of a computer engineer being able to write one line of computer code that is going to basically displace Bill Gates? In our case, one drill hole can make it. Take the instance of Kidd Creek. It just took one drill hole to set North America on its heels. You can do a lot of work, a lot of preparation, hard study and all the science, but there is still a tremendous component of luck that we can't control. So we have to keep trying to overcome those odds. This is where one drill hole, if done by a reputable company and all the rest of it, can really have an impact. I don't think that situation exists in Internet stocks and things like that.

Certainly we have a bad reputation on Bay Street, and on Granville Street in Vancouver. But it's to try to get the attention back to another valid high-risk game. Unless we can raise high-risk capital, this industry is dead. I don't think the exploration industry can survive another year on this downturn. It will be wiped out.

The Chair: Thank you very much, Mr Kwinter. Mr Bisson.

Mr Bisson: On the issue of odds, the odds of being able to make it on the market in a mining stock are far better than you would do on a lotto ticket or at a casino. I know far more people in this community who made money by investing in these kinds of projects than people who won the lotto or at the casinos. They all say they

made money at casinos, but I have never seen the actual cash.

This chart that you put together, headed "Ontario Exploration Expenditures," tells the story. Members should take a look at it; I forget what page it is, it doesn't say, but it's headed, "Ontario Exploration Expenditures." It tells the story. It's an interesting story, if you go through it. You see that through the late 1980s there was a large increase in activities in the exploration market. That, quite frankly, was because the federal government at the time, and just a bit before that, had put in place the enhanced flow-through share system which was 133 1/3%. The amount of money that was being spent in David Ramsay's riding, my riding, Len Wood's riding and other ridings across northern Ontario by private sector individuals was phenomenal. You couldn't rent a truck, you couldn't get a diamond drill. Restaurants were packed. People were shipping food into the bush. The airlines, private companies like Commercial Aviation and others, helicopters—there were all kinds of spinoffs going on. There was work to be had and good-paying jobs. What's interesting is that at the point that the government decides to stop the enhanced flow-through share system, you see an immediate drop in activity in exploration. Then it goes on further until 1990-91.

I come to my point. One of the first groups I heard from when I was elected in the fall of 1990 was one of your predecessors, Dave Meunier, and I think Steve Parry, who walked into my office and started telling me the story I'm hearing here today again. I didn't know a hell of a lot other than I worked in the mining industry and I figured it made some sense, but I didn't pay too much mind to it. They rang the alarm bell in late 1990, saying, "If your government doesn't do something, we're going to lose all our exploration and we're going to see the dollars go out of Ontario into other jurisdictions in Canada and out of the country all together." I didn't listen, to be quite blunt, when they first came in to see me. It wasn't until the group itself started Save Our North, where the mining exploration community—the prospectors, the developers, the miners, the diamond drill workers—got together and started this group called Save Our North and went after our government something ferocious. They were the most highly effective lobbyist group I've ever seen in northeastern Ontario. They scared the shit out of me, to tell you quite frankly, because I understood that if we didn't do something to try to deal with this, not only was it bad for our economy, it wasn't very good for my political future either. Because of that, I really started to pay notice, and that's what happens in politics, that's a reality.

The story goes on, and there's a point I'm trying to make here. If you notice, it finally bottoms out in 1992 and then you see it start to increase. The reason that mining exploration increased after 1992 is because they were successful in lobbying the provincial government to do some things. We put in place incentive programs for prospectors and developers under programs like OMP and OPAP and enhanced some dollars there; we did the

ERLIS project, which was the earth resource lands information system; a whole bunch of tools that the mining community needed to do their jobs and to send a message, more importantly, to the mining community and the investors that Ontario's open for business and we're serious about mining. They wanted a declaration by our government, then Premier Rae, to say, "Ontario mining is important and it's an important part of our economy and we support it." After those activities you see it start to increase and we again start to see activity in the mining sector. Not more than about four years ago, we had quite a bit of activity going on in this community as well as others.

The story goes on. After 1997, when your government decided to get rid of programs like OMIP, OPAP and a whole bunch of other things like Lands for Life, boom, it's going down again. My plea to you is that the story is in the numbers. What these gentlemen are coming forward to us and talking about today is an innovative way to utilize the power of the provincial government to lever some dollars from the federal government. If you agree that we have an enhanced system of 40% above the federal share, you automatically put on the hook the federal government because they're putting 100% in on the deferral of the taxes.

I think this is an important initiative that's being put forward. I'm going to invite these gentlemen, along with other prospectors in the north, to come to Toronto and hopefully meet with Mr Eves and others to try and convince them that this is something we should be looking at putting in our budget this spring, because it would pay back the province and the mining communities big time.

Mr Fumerton: I'd like to interject here a bit. The crucial date to us is Paul Martin's budget, if we can get pressure on him to include this flow-through in his budget, because the province and the federal government have a joint tax system. It's the federal regulations that we're pushing for at the moment, and we're basically asking for provincial support to lobby the federal government at this present moment to get this flow-through system going.

The Chair: Thank you very much, gentlemen. On behalf of the committee, thank you very much for your presentation this afternoon.

1600

ONTARIO SECONDARY SCHOOL TEACHERS' FEDERATION, DISTRICT 1

The Vice-Chair: Our next delegation is OSSTF, district 1, Ontario North East; Tony Sawinski, vice-president. Please come forward and introduce yourself and your associate. You have 30 minutes in total for your presentation, and what's left over after your presentation is divided up between the three caucuses for comment and/or questions. The floor is yours.

Mr Tony Sawinski: My name is Tony Sawinski. I'm the vice-president of OSSTF, district 1. With me today is

Tim Rorke, who is also involved with OSSTF for our local area.

First of all, I would like to thank the committee for giving me the opportunity to address some of the concerns we face in northern Ontario. I believe hearings such as this one are important in a democratic society. However, I stress that they are important only if the words spoken by any presenter are truly heard and a resulting action takes place. Are these hearings just smoke and mirrors so it can be stated that the public had a say? Is the budget already predetermined? I hope that this is not the case. Will my presentation be pigeonholed as coming from a special interest group because I am a member of OSSTF? Anyone can be labeled as such. Who doesn't have an interest or concern that is special or dear to him or her? I trust that the panel before me will take heed of the concerns I have for our educational system. Having said all that, let me begin my dissertation.

This past Christmas I was travelling home from Brantford. After North Bay the conditions of the highway were treacherous. It took over six hours to plow home. Not a single plow, sand, or salt truck was seen going northbound. Only two trucks were seen going south. Such conditions are being experienced far too frequently, unfortunately ending in tragic results. Not too long ago there would have been a fleet of trucks on the highways, ensuring the safety of those who traveled on them. Is this the result of privatization and contracting out?

How do these conditions affect the students in our northern schools? Extracurricular teams like Reach for the Top and basketball require travel to and from different communities in the north in order to compete against schools in their district. I think you will agree that these extracurricular experiences are important to the development of our youth. One can never ensure the highways will be 100% safe, but to reduce maintenance in order to fulfill the promise of a tax cut is playing Russian roulette not only with the lives of motorists but also our children.

Another result of living in northern Ontario means many students are bused to school. These buses must travel on the highways I have just described. Logic would dictate that if the roads were that bad, then they should not be traveled upon. Today, as in the past, such precautions are taken. However, these poorer road conditions exist now even when there is a light snowfall. Does this mean that whenever there is a snowfall these bussed students stay home and don't go to school? If that is going to be the reality that we in the north must endure, then our children's educational experiences will suffer. All that is required is a return to the same level of service that we had.

The busing concern will be compounded when schools are closed as a result of the disappearance of the mitigating grants. School closures will result in more students being bused and over a greater distance. The Education Improvement Commission reported: "We note that the practice of consolidating schools cannot be applied to sparsely populated areas of northern Ontario as readily as to some areas of the south. The excessive transportation

distance would result in students spending too much of their day riding a bus, which would not enhance their ability to learn."

Mitigation funding will continue for 1999-2000, but it will be reduced and eliminated over the next two years. "Mitigating" is an interesting word. "Mitigate" means to make or become less harsh, severe or painful, but as the grants disappear, ironically the impact on education will be harsh, severe and painful. How many more cuts can the educational system endure? The Education Improvement Commission has reported that if the board cannot find additional efficiencies, it will experience a shortfall when the mitigation funding is no longer available.

Currently, Ontario's educational funding per pupil has dropped from 22nd to 55th out of 63 North American jurisdictions during the past 10 years. This has had a dramatic impact upon the education delivered by our school this past decade. The following are some local examples.

(1) The number of teachers has been reduced by over 5%. Fewer teachers result in larger class sizes. Fewer teachers result in fewer or diminished extracurricular activities like volleyball or wrestling.

(2) At my school, the school nurse's hours have been reduced from 40 a week to one morning a week. This service of communicating, diagnosing, treating and referring was an invaluable asset to our students. A former student and athlete of mine, Kylie Szczebonski, is completing her nursing diploma this year. She has had 17 job offers outside of Ontario. To date she has not received one offer in our province. She would love to stay not only in Ontario but in her hometown. She would relish the opportunity to be our school nurse or a nurse at our district hospital. However, the reality is that these institutions are not only not hiring but are in fact continuing to lay off nurses.

(3) There are fewer guidance counsellors and librarians to help students with their problems and research respectively. As we enter this new millennium, our society is evolving and increasingly getting more complicated. Thus, our students need to look for more direction than they did in the past. How do we offer these services with shrinking resources?

(4) There are fewer custodians available to keep our schools clean and safe. Recently, Mrs Kernick's son was required to clean the washroom at a local elementary school. The number of hours for the custodian had been cut, thus students were now being used to clean the washroom. In fact, after completing his duty, there was no soap to wash his hands.

(5) The recent funding announcement for special education is welcome news. However, will it be enough, and how accessible will it be? The funding mechanism has made it difficult for us to address the costs of delivering programs and services to new students entering our system, students who demonstrate increased need and students returning to the board from outside specialized programs and services. Despite the commitment to address such issues mid-year, there has been no process

to do so. Transferring students from other boards brings with them the paper trail but no actual monies.

(6) Drastic funding cuts for adult education programs came into effect in September 1996, before amalgamation and the new funding formula for the whole public school system. At that time the funding for an adult student over the age of 21 was dropped from \$5,800 to \$2,257 a year, a cut of approximately 60%. It has remained at \$2,257 under the new funding formula.

The immediate effect on the PACE centre, our local adult educational facility, in September 1996 was the loss of two full-time teachers. Within a year the equivalent of one full-time teacher was lost, two part-time teachers, two periods of ESL and one period of mathematics. We now have just four full-time teachers remaining, including the coordinator/guidance counsellor/teacher, who are still trying to offer a viable program, grades 10 to 12, leading to graduation.

Because of the limited staff available, most teaching sections are combined classes. In our most extreme example, one teacher in one class handles the students taking grade 11 business math, grade 12 business math, grade 11 technical math, grade 12 technical math, grade 11 advanced math and grade 12 advanced math. This situation results in a much heavier and more stressful workload for the teacher than if the same number of students were working on the same unit in the same course in a normal secondary class. It also means less help is available for the students in each course since the teacher's focus is so divided. Only three sections out of 10 this semester are single-coded classes.

1610

Funding cuts have also caused a big change to their clientele. In order to cover the costs of this program, the PACE centre has moved to a blended model. They are forced to take in more students between the ages of 16 and 20 who do receive full base funding. The alternative students who are sent out of regular schools to the PACE program are often disruptive and need more supervision than the adult program was set up to handle. Most do not blend well with the highly motivated adult students in the class. The troubled younger students have a much higher rate of absenteeism and much poorer work habits. The culture of the school as a whole and the rate of progress within the classes have deteriorated with the increased number of students under 21. Both adult students and the alternative students deserve a dedicated program of their own, but in many boards this is no longer possible because of the funding cuts.

(7) There is a difficulty in hiring qualified teachers. The remuneration and working conditions have declined in the past decade for Ontario teachers. A number of teachers have jumped out of the factor 85 window. This has resulted in a shortage of teachers, especially in the areas of math, science, computers and technology. Fewer men are entering the teaching profession. These people are seeking employment in other careers or outside of Ontario. A number of states offer bonuses to teach south of the border; bonuses such as down payments on a home

or a free car are being offered. If you were just coming out of teacher's college and could earn more money—in American dollars, mind you—receive a signing bonus and not teach seven out of eight, where would you work?

My understanding is that Quebec teachers will receive a raise of 9% over the next three years. Will this make it more difficult to attract qualified French teachers, many of whom teach in northern Ontario? Currently, jobs in northern Ontario have been posted with no applicants interested, reposted with the same result, and reposted again under a different position. Principals are frantically trying to fill these positions with anyone they can find. If it is so difficult to find qualified teachers for positions in Timmins, it is virtually impossible to hire someone for communities like Cochrane or Smooth Rock Falls.

(8) At my school the number of positions of responsibility has been reduced from 26, with time release, to 11. The proposal for next year is a further cut to six, with no time release. These people had performed a variety of tasks to facilitate the smooth functioning of the school. Their duties ranged from coordinating intramural programs, tracking and addressing poor students' attendance, to facilitating new curriculum and acting as a resource guide to instruction and teaching techniques, just to name a few. Who will now perform these duties? When will they perform these duties?

I think it is necessary to mention another effect that the recent expedited changes and the financial crunch have had on front-line workers. There is a human factor we must not forget. Teachers are asked to be teacher advisers, to teach new curriculum, to evaluate and assess in a different way, to complete report cards in a different fashion, to do on-calls in lieu of supply teachers and to perform headship duties. Last year the premiums for our long-term disability insurance skyrocketed by a 40% increase. This was a result of our poor experience. In other words, more teachers are becoming severely ill trying to do the job asked of them. Last year we had six out of our 100 teachers on LTDI. I believe the national average is 16 per 1,000 workers. Our rate is almost four times higher than that average. Others are coping by doing fewer extracurricular activities.

I have highlighted a number of problems of the restrictions of educational finance. I would be negligent if I did not offer any recommendations. I suggest the following:

(1) Allow boards flexibility of local taxation rights to deal with the diverse nature of their students and geographical differences.

(2) Incorporate the mitigating grants into the funding formula so no further damage occurs in our educational system.

(3) Reinvest in education the money saved by the government from the monthly debt payments of the unfunded liability. This amounts to over \$300 million a year.

(4) Restore funding to adult education programs to provide these students with an equal opportunity for success.

As illustrated, the current funding for education does not adequately meet the needs of our students. Investing in our children and adult education today has a direct positive impact on our future generations. Education is not a business, and our students should not be treated like widgets.

The continued financial strain on the public schools will bankrupt the system. Will voucher and charter schools rear their ugly heads in Ontario? Such schools have failed in both the United States and Alberta. The implementation of charter and voucher schools would result in a two-tiered educational system. Businesses are waiting anxiously, like vultures, to run our schools for a profit. Thomas Jefferson once stated, "We must dream of an aristocracy of achievement arising out of a democracy of opportunity." Public education levels the playing field for all participants. Do we want to regress back to where a doctor's son becomes a doctor and a miner's son becomes a miner only because of the unequal opportunity that will exist in a two-tiered system?

As I was growing up, I remember how proud people were living in both southern and northern Ontario. Globally, our educational system was deeply admired and much respected. Now our youth must leave northern Ontario and even leave the province to find opportunities for public sector employment. In the last half of the past decade, Ontario has experienced unprecedented economic growth and will continue to grow over the next several years. The money is there.

I remember a tune aired on both radio and television. I will not attempt to try to sing it for you, but there was one line I wish to share with you: "Ontario: A place to stand, a place to grow." Unfortunately, we still stand, for we cannot move. We no longer can grow, but wither in the desert of financial underfunding.

As you write your report and make your recommendations, I implore you to invest in northern Ontario, invest in education and invest in our children. Thank you.

The Vice-Chair: Thank you very much for your presentation. We have barely four minutes per caucus, beginning with the official opposition.

Mr Phillips: I appreciate the thoughtful presentation. The first thing that caught my eye was that there are 5% fewer teachers currently.

Mr Sawinski: Yes. That was as a result of the social contract.

Mr Phillips: That happened four or five years ago, did it?

Mr Sawinski: It happened, I believe, between the years 1993 and 1995, or thereabout.

Mr Phillips: So that's the 5% fewer teachers.

Mr Sawinski: In fact, locally the impact was 6%. I think the actual number was that each school had to reduce their staff by 4.75%, but the reality was that some were reduced even more. Locally it was 6% for us.

Mr Phillips: But there has not been a reduction in the last few years, then, I gather?

Mr Sawinski: No, there hasn't.

Mr Phillips: One of my concerns is what is happening with the extracurricular activities. I happen to be a big fan of extracurricular activities because I think the educational experience is far broader than what happens in the classroom. In some places in Ontario I'm quite worried about what's happening. Extracurricular activities just seem not to be occurring. Is that the case here, or is there no problem with extracurricular activities? Is it an issue that we, if we believe in extracurricular activities, should be concerned about?

Mr Sawinski: Locally the problem varies from school to school. There are some schools that are trying to maintain the same extracurricular activities that were experienced in the 1980s and before. I'm at a school that is trying to maintain those activities, but I can tell you that in many of the schools in northern Ontario they're either not offering the same number or they are just limiting their resources to a few activities in the school.

1620

Mr Phillips: Another area of concern to me is adult education. For years we all believed strongly in lifelong learning, that education isn't something that ends at a certain age. Yet the approach on funding for adult education appears to have turned that around in what I regard as the wrong direction, which is a lot less opportunity for adult education, when everything we know is that you've got to keep trying to upgrade your skills and your learning. I'm certainly aware of some areas where that's had a profound impact in terms of fewer adult students. I see you've got some statistics in the back of your presentation. Where do you think we're going with adult education in Ontario, and have you any advice for the committee?

Mr Sawinski: If there's continuing lack of funding in adult education, then you're going to have fewer adults who are either getting that education or being retrained and who as a result won't have the same job opportunities down the road, or any job. I feel that if they don't get a job, then they may be a burden on the social safety net, and they shouldn't have to be if they got the educational experience that they deserve.

The Vice-Chair: We'll have to move on to the third party.

Mr Bisson: I have two or three questions. It's interesting that you're the first, at least today, who's come forward and talked about the condition of roads and how it affects attendance at school. I travel up and down Highway 11, and there are many times when a two-hour drive takes three or four hours, or you end up staying overnight. Are you seeing a marked increase in actual school closures in the last couple of years because of road conditions, or a drop in attendance?

Mr Sawinski: Maybe not necessarily in Timmins, but in the outlying areas like Iroquois Falls, Cochrane and Smooth Rock Falls, yes.

Mr Bisson: That's interesting and something we need to raise in the Legislature, because this winter it's a lot more apparent. I'm getting calls in the office, and I see it myself, that a number of times the private contractors,

who try hard—and they're good workers like everybody else, but there is no longer the monitoring that used to be done by the Ministry of Transportation, what they used to call the highway patrols or patrol yards or whatever it was. As well, the standards that used to be applied by MTO are lower. The contractors, trying to make a buck, are running their trucks faster. The problem with a snowplow is that you run it faster and all you do is blow the snow over the top and put it back on the highway. So we're seeing a real negative effect, especially in the snowy parts of the season.

I want to ask you a question in regard to the comments you made about the per-pupil funding ratio that we find now in Ontario as compared to in the past. We are told that the future of the Ontario economy, as it is across Canada, is in making sure that we have, as best as we can, well-trained workers and well-trained professionals within our economy. If the trend is to less funding in our education system, both at the elementary and secondary levels and then later on at the post-secondary level, what kind of long-term effect do you think this has on our economy when it comes to the professionalism and the training afforded to workers and professionals?

Mr Sawinski: Are you referring to the actual workers or the students?

Mr Bisson: I'm saying that basically we're told that a highly motivated, skilled worker makes money for a company and that's what makes your economy go, having good people. If we're spending less on education rather than more, as compared to other jurisdictions, does that disadvantage us when it comes to our competitiveness towards other jurisdictions?

Mr Sawinski: In my report I indicated that a number of teachers are leaving the profession because of retirement and the 85 factor, and we're not able to replenish those people with qualified teachers because either (a) they're not entering the profession at all or (b) they're looking outside the province because monetarily they're getting more money.

Mr Bisson: What I'm wondering about is the people who are actually working in industry: the electricians, the mechanics, the professionals who are out there, the engineers etc. If we're spending less per pupil than we used to, does that mean it hinders us and the possibilities that the economy affords us in the future? That's what I'm wondering, or is that just too far out in the future to really think about?

Mr Sawinski: I'm not sure.

Mr Bisson: Another thing: Point 4 on page 3, I've never heard of that. A child by the name of Kernick was told to clean a washroom? That's the first I've heard of this. That distresses me somewhat.

Mr Sawinski: The way I found out about this, she had written an editorial in the daily press and I called her and spoke to her about the incident.

Mr Bisson: Was it punishment?

Mr Sawinski: No, the students were asked to do that.

Mr Bisson: What school?

Mr Sawinski: Golden Avenue.

Mr Bisson: I'll check that out. Thank you.

The Vice-Chair: OK. Time is just about up anyway. We move on to the government.

Mr Arnott: Thank you very much for your presentation. I appreciate your advice.

You summarized, towards the end, four specific recommendations, and there's one I wanted to ask you about. In point number 3 you said, "Reinvest, in education, the money saved by the government from the monthly debt payments of the unfunded liability (over \$300 million per year)." Can you tell me a little bit more about what that means, what you're suggesting there?

Mr Sawinski: Approximately two years ago, there was a surplus in the teachers' pension fund. Well, maybe I'll go back and give you a little of the history before that. It goes back, basically, to 1990 when there was a partnership agreement between the government and the teachers. At that time, the teachers took over control of investing the plan. There was an unfunded liability. There wasn't enough money for the future cost. The government was making monthly payments of about \$30 million a month. About two years ago, there was enough surplus in money in the plan where there was an agreement between the two partners to pay off that total debt, so that essentially there is a \$30-million-a-month savings to the government. I'm just saying that since that is a savings and they don't need to pay that debt, reinvest that money into education.

Mr Arnott: Has there been a contribution holiday as well for teachers?

Mr Sawinski: No, there hasn't.

Mr Arnott: They're still paying the same?

Mr Sawinski: We pay about 8.9% into our pension fund. It's quite high.

Mr Arnott: So really it's the growth in the stock market that has enabled this contribution holiday to take place.

Mr Sawinski: There has been no contribution holiday. There's been a surplus. You're correct. There's been a surplus because—

Mr Arnott: I understand what you mean.

Mr Sawinski: That's been used to offset the unfunded liability.

Mrs Molinari: Thank you very much for your presentation. It's always interesting to see different perspectives around similar issues. I also appreciate the fact that you had some specific recommendations here. You've made a presentation and you have some specific ways that the government could react with decision-making and policies to accommodate some of the comments you've made.

I have a couple of questions. The teacher that you stated is teaching six different math courses in the period of a year, is this the exception rather than the rule? You stated this is an extreme example. By that I take it that this would be an exception rather than the rule?

Mr Sawinski: There are only four teachers at the PACE Centre so that would be 25% of the staff.

Mrs Molinari: So these are specific to the PACE Centre that you're talking about?

Mr Sawinski: Correct.

Mrs Molinari: With respect to the PACE Centre, which has moved to a blended model, your presentation states that they're blended into an adult education program? That's where the PACE students are directed into an adult education program?

Mr Sawinski: Yes, they would be sitting in the same classroom.

Mrs Molinari: So that's how one specific school board reacted to the servicing of the PACE students with the funding that is available for PACE students?

Mr Sawinski: That's correct.

Mrs Molinari: There are some cases where some parents of PACE students feel that a blended model would be appropriate, but certainly when there's that kind of an age difference, it presents some difficulty. Thank you for pointing that out. I was not aware that that was happening anywhere in the province.

The flexibility of local taxation: One of the common themes before the new funding model came out was that the way education was funded before that was that those boards that were rich in assessment received more money and the boards that were poor in assessment received less money. Therefore, those in the south—Toronto—with all the commercial and industrial land and the condensed residential had more money by virtue of the assessment to provide for education, and the northern boards and boards that had less assessment got less money. The funding model was an attempt to give every student in the province equal dollars to provide for education.

1630

The Vice-Chair: We've run out of time. If you just have a quick response, then we'll move on.

Mr Sawinski: I didn't get a question there yet.

Mrs Molinari: Quickly, how did the new funding model specifically affect your board, not having access to taxation but having access to per-pupil equalization dollars?

Mr Sawinski: First of all, the funding model, even though it gave an equal distribution of money per student, was basically down to the lowest common denominator and not raised up to the largest common denominator in terms of the funding per student. I can't tell you specifically how it affected the per-pupil expenditure locally, but my understanding is that it's less. What we're asking for is just to give the board some flexibility.

The Vice-Chair: Thank you very much for your presentation and coming forward. Have a good day.

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

The Vice-Chair: Our next presenter is Cathy Hart, regional director, north, of the Northern College of Applied Arts and Technology. You have approximately 30 minutes in total for presentation and also responses

and/or questions from the three caucuses. We'll divide it up evenly after you finish.

Ms Cathy Hart: My name is Cathy Hart. I'm the regional director, north, for the Northern College of Applied Arts and Technology. I want to thank the committee for coming to Timmins, first of all, and for allowing presentations from the various sectors. Representing the post-secondary sector in northeastern Ontario, I think it's important that our voice be heard and I appreciate being able to be here today. I'm speaking on behalf of Michael Hill, our president, who was not able to be here today. I think you've all been given a copy of the brief I brought with me. I would probably choose to discuss that rather than read it to you. However, I will cover some of the points that I think are important to be noted in there.

I guess most important for Northern College, the college of northeastern Ontario, is that for the first time in our history we're facing a deficit, and it's a cumulative deficit. This concerns us to a great extent. We are not alone in this, as I'm sure you've heard today or throughout other presentations you've listened to. The health sector in northeastern Ontario's in difficulty. Our resource-based economy is in difficulty. It's our feeling that in order to look at the difficulties and still provide services to our region, we need to look at how the government can assist us in solving our own difficulties.

Really what we're asking today, in summary, is that the government look at how the colleges are funded, how that funding is distributed throughout the province and how it can be redistributed or reworked in some way to promote some equity throughout the province in terms of funding to smaller colleges in rural areas as opposed to the larger colleges in the urban areas that have high-tech industries, that have a sound industrial base and that have a multitude of opportunities for partnerships that are just not available to small northern Ontario communities and in particular the college. That would be the premise I would be looking at today.

We have recently restructured—I introduced myself as the regional director, north. In an effort to look at our deficit and position ourselves for the future we have restructured Northern College. We are now three regions: north, central and south. As the regional director, north, I'm responsible for the communities of Timmins, Iroquois Falls, Cochrane, up the Highway 11 corridor as far west as Hearst and Calstock and north to Moosonee and the coastal area. The north region is a fairly significant region. We also, as you probably know, go as far south as the Haileybury-Tri-Town area to the Temagami area, so that we do cover a large area in Northern College. We're hoping that with the restructuring and with the regional groupings we will be able to get into each of our communities and work with our communities to provide training and educational opportunities that will put us and the communities in good stead to solve the economic difficulties we're having as a region.

We certainly feel very strongly that an investment in education is an investment in the economy, and an

investment in education is an investment in people, and I think people are the most important resource we have.

As we're struggling in northeastern Ontario to survive, Northern College certainly feels that we must invest in post-secondary education in the college system. That will allow us to not only help the communities but help the people within those communities.

We recognize that the government is providing special opportunities through programs such as SuperBuild, access to opportunities and strategic skills investments, and while we laud those initiatives by the government, they do not always work for northern Ontario. Many of the initiatives depend on private sector partnerships, particularly with head offices in large, high-tech industries which we just simply do not have in the north. Therefore, although the initiatives are very important and we would never say, "Stop the initiatives," we feel that we need to look at and have the government look at initiatives that will support the north as well and take into account the fact that we do not have all the industries that other people do.

Northern College, you may or may not be aware, and I've indicated somewhat, covers a very large area. We own three campuses: the Porcupine campus here in Timmins, the Kirkland Lake campus and the Haileybury campus. We rent campus facilities in Kapuskasing and in Moosonee. Those are our main structures. We cover a very large area. We do get rental assistance for our campuses in Moosonee and Kapuskasing at this point in time.

As we look at the campuses that we own and the physical structures that we own, we continue to have infrastructure costs. We find, of course, as everywhere, that the costs for utilities, supplies and telecommunications are increasing. Our population base is not increasing. Our student population base, on which we are primarily funded, is not increasing, and therefore, there is difficulty balancing the infrastructure costs and the utilities costs in light of the other declines that we're facing. Those costs that we have need to be addressed, and we need some assistance with those particular costs.

We have worked very hard at Northern College to provide access to the communities within our region. We've done this through video conferencing and audio conferencing. We are probably leaders to some extent in the province in that area. We were among the first colleges to offer complete programs through audio conferencing. We have financed this on our own and with our own resources. Having done that and in trying to provide access, we are now finding ourselves in the position where our reserves have run out and, as I've indicated, we are now in a deficit position. So we certainly need some help with that, as would other community colleges in the north.

You will see in the presentation the distances that we travel. Our president's office is located here in Timmins at the Porcupine campus. It's a long way to our other campuses, and the last presentation talked about the distances we have to travel to get to other campuses.

Probably the one area of growth population that we have in this province right now is in the aboriginal population. Our Moosonee campus serves the aboriginal population of the coastal area, the James Bay coast. That is our only campus that is not accessible by road; therefore, our costs to service that area are increased due to the costs for travel to the area. That is another factor which affects our ability to serve our communities.

As we look at the economic relationship that we have with the communities, we feel—and I trust that you feel too—that community colleges are an integral part of the communities and they are a very important part in the economic status of communities. As I think I've quoted there, we're landlords, we're consumers, we're builders, we're investors, we're taxpayers, we're innovators and we're leaders. We play a very important role in the communities. We've given you some indication of the economic impact of our presence in the communities, looking at from approximately \$15 million in the Timmins area to \$1 million in some of the smaller communities. While that may not sound like a lot of money to people from southern Ontario who are used to dealing with a lot larger numbers, those numbers are very significant in northern Ontario. The economic impact of not having a college would be severely felt within our communities.

1640

We've often talked about people who leave the north to get education and training. Very often the trend we see is, once people leave the north, they do not come back to the north. So we're facing, if you will, a brain drain within the north. I think it's important to allow and to provide access to education and training in home communities so that people can stay at home, can continue to raise their families in their home community, can continue to contribute in their community in an economic sense and in a social sense and in the total aspects of the community. So it's very important that we are able to continue to provide that access.

That leads me into the funding formula for the college system. I trust you are aware that the funding formula in the college system is such that there is a fixed pot, if you will, or a pie as we call it. The slice of the pie that you get and the size of the slice depends on the enrolment in terms of post-secondary education. As colleges grow, you may or may not get a bigger slice of the pie, depending on how the other colleges in the system grow. For example, Northern College could in fact grow by 100 students; however, if the large colleges like Humber and Seneca and Fanshawe grow by 1,000 students, they will continue to get more money than Northern, even though we have grown. That puts us at a great disadvantage in terms of trying to obtain finances to get out of this particular system that we're in.

I'm sure you know also that within the college system there are many colleges that have quite sizable surpluses. One might look at that and say: "Why does the college system need fixing? There's lots of money in the college system." I think a closer look at that would reveal that

while the larger colleges are indeed seeing surpluses, the smaller colleges, and in particular the northern colleges, are not seeing that same prosperity. That's where we're asking the government and the committee to look at how the system is funded and how it can be more equitable in terms of the population base, the demographics, the industrial base of our communities. We have recommended that the funding formula for the colleges be amended to recognize and compensate for the significant regional disparities that characterize our post-secondary system and to ensure access to education for residents in small communities.

The government recently introduced key performance indicators, KPI. We at Northern College think this is very beneficial, and we're very much in support of the KPI initiative. While we support it, we do have some difficulties with it. Because we're small, our sample size is small. That can affect the statistical reliability and validity of the results that the government will be looking at to determine whether our funding will be affected by the KPI results. There is 2% of college funding assigned to each of the five KPIs, so a college is in jeopardy of losing 10% of its funding if it falls below the average for KPI.

For example, in a small community college in northern Ontario, it may not be unrealistic to think that there are nine graduates of a program. In doing the survey for getting jobs six months later, it could be that three of those graduates have jobs out of the six who were contacted. That looks like, "If six people were contacted and only three have jobs, we're only spending at 50%." That is not statistically reliable or valid in anyone's books, and yet that would be the number we would look at. If we fell below, say, the 88% standard of the province, our funding would be affected for that particular KPI.

That's a concern to us. While we applaud the accountability and we welcome being accountable to our consumers, we do have some difficulty knowing that the accountability could be affected. Of course, if you lose money, you are not able to then fix what, if anything, is broken if it happens to be broken. So another recommendation to the committee is that the funding tied to the KPI take into account regional and demographic circumstances.

As I mentioned earlier, the government has initiated several partnerships and is offering programs such as the access to opportunities, the SuperBuild fund, the strategic skills investment fund. As I indicated, the funding for those very much has been tied to partnerships with private industry, and in some cases it has been a matching dollar for dollar, that the government will match what the colleges are able to raise in their local areas, their local communities.

Because we are in the north, we do not have a large industrial base, we do not have a high technology base, and that direction is very much where the government's initiatives have gone. So, once again, those put a college such as Northern College at a disadvantage: We are not

able to raise the funds and therefore we are not able then to build on the initiatives or to really gain from the initiatives.

We recommend that the initiatives supporting post-secondary education be so structured as to meet the needs of all our institutions and regions and not exacerbate further already significant difficulties of our regional institutions.

I've talked a bit about the fact that we are in isolated communities, that we have a lot of distances between our campuses. We have worked at reducing our expenses over the years. We have looked at rationalization of programs; we have looked at rationalization of staffing. We have done that on our own. We are finding now, and I guess this was inevitable as we started, that once you start to reduce staffing and once you start to reduce as much as we can infrastructure, we get to the point where we no longer have money to invest—we cannot invest in our people, we cannot invest in our facilities—and this causes us difficulty.

Our infrastructures are all aging. We have some severe weather conditions. Heat is very important. I see you sitting with your coats on over there.

Mr Galt: Especially on this side of the room.

Mr Bisson: It's about time we put you guys in the cold.

Ms Hart: That's something like my office has been for the last few days.

It's important to know that we do not have the same needs and circumstances that people in other regions of the province do. What we are asking that this government look at in this upcoming budget is, and again our recommendation, that the government recognize how well Northern College has coped with reduced support by investing an infusion of funds to ensure our ongoing ability to serve our region with quality educational and training services and to assist in the maintenance of our buildings.

In looking at an area, and this area is a continuing saga, I guess, of the federal-provincial training agreement, over the last number of years the portion of monies allocated to northern Ontario and particularly our region has decreased dramatically. We recognize there are ongoing talks with the federal government to get the funds over to the province. However, in the meantime we are suffering at Northern College because our funding has been cut back. Therefore, we recommend that the Ontario budget ensure that all citizens of Ontario have equitable access to training funding regardless of geographic area by finalizing the training agreement transferring responsibility to the province.

While we laud the initiatives that have happened, we have some concerns as a northern college, in particular our Northern College, but I think I would speak on behalf of many of the northern colleges. We request and hope that you will support the recommendations we're putting forth today. Thank you very much for this opportunity.

The Chair: We have approximately four minutes per caucus, and I'll start with M. Bisson.

Mr Bisson: Can you explain something on the key performance indicators that you talked about? If I understand what you're saying, if your college is situated in a region where there's higher unemployment and thus the graduates are not able to get employment, somehow you'd be penalized?

Ms Hart: Potentially that's true, because the statistics for the graduation employment rate are done six months following graduation. That is the window. So there is an attempt to contact all the graduates six months after graduation.

1650

Mr Bisson: A good idea in the sense of finding out if the college did a good job, but it may not really reflect the job that you did, if you know what I'm saying.

Ms Hart: That's true. Exactly.

Mr Bisson: To what extent would you be penalized?

Ms Hart: Two per cent of the funding. Each KPI is allotted 2%, so if we fell below the provincial average to a certain extent, we could lose that money.

Mr Bisson: Is that now in place?

Ms Hart: The funding will start, I believe, next year, so not right now. There is still time to look at that.

Mr Bisson: That troubles me because—I think members would agree—in areas in rural and northern Ontario where unemployment rates might be higher, compared to Metropolitan Toronto, that could be a real problem. We've got a bit of a problem already in regard to the funding.

The other thing is that you talked about the inequity of the growth formulas—the note I put in here. I don't quite understand what you were getting at. You were saying, "If our college is to get 100 students and the other college in Guelph gets 1,000, we don't get the same amount of money per student." How does that work?

Ms Hart: The formula is based on growth. As one college grows, they get a certain percentage. So if one college grows by a larger percentage than a smaller college, their percentage would be increased—the piece of the pie, because the size of the pie does not change.

Mr Bisson: So what you're doing is redistributing the funds within the pie.

Ms Hart: That's correct.

Mr Bisson: I get it.

Ms Hart: So the smaller colleges suffer because of that.

Mr Bisson: When was the last time there was an infusion of new dollars for the operational side, an increase to the overall pie?

Ms Hart: The funding has decreased I think roughly at least 17% over the last four or five years.

Mr Bisson: That explains where your deficit comes from, partly.

Ms Hart: That's right.

Mr Bisson: I thought you were opposed to the fact that—in the case of 1,000 students versus 100, where they get more than you, I was going to say that only makes sense because they've got more students. I didn't realize—

Ms Hart: It's the percentage.

Mr Bisson: You were overall. OK.

The Chair: On the government side, Ms Molinari.

Mrs Molinari: Thank you very much for your presentation. I appreciate that you have some recommendations here as well for us to look at and narrow down exactly what you're asking us to do in order to fulfill some of the difficulties you're experiencing.

I had the opportunity to meet with Joan Hommer just recently. She impressed upon me some of the uniqueness of the colleges in the north and how what is needed in the colleges in the south and other areas is certainly different than what's needed in the north. The Ontario Jobs and Investment Board report also stated that there is uniqueness in some of those post-secondary institutions. So there is a consistent message there that it's unique and there are unique ways of servicing and assisting some of the difficulty that you experience.

The KPI, the key performance indicators that are being talked about, there are a number of results that would come out of that. Employability of course is one, but it's also graduation and OSAP defaults and a number of things. It's also to help students choose which college and university they would like to attend—it's almost like a report card—and also helping the students choose their programs and their direction.

You mentioned a bit about the labour market development agreement. There have been ongoing negotiations now with the provincial government and the federal government. We had Minister Pettigrew when the negotiations started and then the minister was changed to Jane Stewart, and with all the difficulties that exist now within that portfolio, talks are at a standstill at this point. But certainly we look forward to having that agreement, because we feel that we would be able to better service some of the needs the federal government was servicing if we can do it at the provincial level.

I'm not going to take up much more time. I know some of my colleagues have some questions and comments. But I'm looking forward to meeting a number of the various college presidents and talking about some of the uniqueness in the area. So thank you very much for your presentation today.

Ms Hart: If I may, you raised a point that was not included, and that was the OSAP default rates and the fact that it's a report card. If I could, I'd like to marry that with a comment from Mr Bisson about the report card, that we can be penalized if the report card is not good. In an area that's economically depressed, the likelihood of the graduation rate, and also then employer satisfaction, can be affected.

We are also affected by the OSAP default rate. If our students cannot get jobs, they cannot pay back their OSAP loans. Northern College happens to be one of two colleges in the province—the other one also being a northern Ontario college—that is in a position where they have to pay OSAP default rates back. So we feel that again, we are being hit by that, because if our students cannot get jobs they cannot pay their loans.

Their loans also—and I'm not sure how much knowledge you have on that—are that if a student goes to another educational institution and incurs a loan at that institution and then comes to Northern College, Northern College has to incur that loan from the other institution. Again, that's a good point. I think we will put in our submission that this also needs to be looked at in terms of that causing great financial hardship to a college that is in an area where the job rate is less, where the employment rate is less and where the students and the colleges are getting hit with a double whammy by having to pay OSAP defaults as well.

Mrs Molinari: But in your presentation you state you strongly support the initiative.

Ms Hart: We certainly support being accountable to our constituents. We absolutely support that, and we support that we provide quality, just as any other institution or public sector. Absolutely. That's not the issue. The issue is having the funding tied to the initiative in which the statistical reliability and validity would be in question.

The Chair: With that, I have to go to the official opposition.

Mr Kwinter: Right now, your funding is based on a per-student basis?

Ms Hart: Yes.

Mr Kwinter: Throughout your presentation you talk about the demographic decline and that your enrolment is declining, which automatically means that your funding is declining.

Ms Hart: That's correct.

Mr Kwinter: What are the trends? What do you see happening to your enrolment? Do you see a chance for it to turn itself around or do you see a steady decline over the coming years?

Ms Hart: I think the reports that have been done over the last—

Mr Kwinter: If I could just ask you one more thing: What has been the rate of decline historically over the last, say, five years, if you have that information?

Ms Hart: I'm sorry, I don't have a number for you, although in a report today the Far Northeast Training Board indicated that the decline of the regional population has been 7%. We're questioning that figure. We're not quite sure if it's that high. It seems like a very high rate. I think we can say with some certainty that the population of northeastern Ontario is declining. I don't have the rate. Certainly, as it declines there's a threat to our student population and the student numbers.

This is particularly why, in the past, we have looked to telecommunications, audio conferencing and video conferences to provide access, to reach out to our communities, to the smaller communities, to try and get right into their home communities. This is also the reason why we have just restructured, to focus on regional needs. I hope I stressed in the written documentation I've given you how important it is for Northern College to look at northeastern Ontario needs, and to look at those from a regional point of view. I think that's crucial. We

have the answers; we just need help working towards the solutions.

Mr Kwinter: It seems to me that all governments—and this has been going on for some time—have and should recognize that the north is a special situation and that if you're going to deal strictly on economic viability there's no reason to put anything up in the north. There's got to be a reason why you have to have a northern solution for the north. I support that completely. I just feel that again, that is the point that has to be made: You can't have "one size fits all." I think that is one of the problems we have.

Ms Hart: I would certainly agree with you. I'm not here to advocate for breaking away for a northern Ontario province, but to be equitable it has to be looked at. There are inequities and one size certainly does not fit all. Nor does one size in all of northeastern Ontario fit all, or northern Ontario. The northeast, the northwest, Sault Ste Marie, Sudbury—we all have different realities, and those realities must be addressed within their own regions, because each one is quite different. So one size definitely does not fit all, whether it's north-south or within the north itself.

Mr Phillips: Thank you for a very informative presentation. One of the challenges is trying to determine what is the fairest way of allocating resources among colleges. Has your organization attempted to get fairness at the table with the other colleges and been unsuccessful, or has that been a route you haven't pursued?

1700

Ms Hart: I think certainly we collaborate with other colleges and we collaborate within our community, not just within the college system, to look at ways of maximizing the resources we have. So far, no college has offered to give us any of their reserves. However, we would be open to that if they chose to do that.

There's a limited amount that we can do, certainly in terms of brokering programs. The larger colleges in the south are more than willing to do that. That allows us to start programs but to not necessarily have all the resources to go into, say, the second or third year. Students can transfer to the south. Not all students want to do that. So, yes, there's collaboration. In terms of the funding formula, there has not been a change in that.

The Chair: We have run out of time. On behalf of the committee, thank you very much for your presentation this afternoon.

Ms Hart: Thank you very much for the opportunity.

LECOURS EXPLORATIONS

The Chair: Our next presenter this afternoon is a representative from Lecours Explorations. Could you come forward and state your name for the record, please.

Mrs Rita Lecours: Good afternoon. My name is Rita Lecours.

Le Président : Bonjour.

M^{me} Lecours : Bonjour. On m'avait demandé de faire ma présentation en français mais puisque je l'ai faite par

écrit en anglais, il y a des termes qu'il sera peut-être plus facile de dire en anglais.

Le Président : C'est votre choix.

M^{me} Lecours : Je vais lire ma présentation en anglais puis, de temps en temps, si le mot est trop difficile à dire, je vais peut-être le dire en français. C'est correct ?

Le Président : C'est bien.

M^{me} Lecours : D'abord, je vous remercie pour l'occasion que vous me donnez de venir présenter. Je pensais simplement rencontrer quelqu'un un à un. J'ai d'abord écrit à l'honorable Tim Hudak. Alors, je veux commencer par lire la lettre.

"Honorable Mr Tim Hudak,

"I have a matter in issue with the provincial government, which I would like to discuss with you.

"I would like to bring to your attention that some mining activities have taken place. Some prospectors and developers, including myself, would like to continue conducting these activities with the help and cooperation of the government.

"On February 8, 2000 in Timmins, I'll be making a formal representation to the government through [MPP] Gilles Bisson at a 'pre-budget financing committee' where I will raise some of the issues I'm concerned with.

"As I was reading from a news release communiqué from the Ministry of Northern Development and Mines dated March 29, 1999, 'Mining will always be one of the cornerstones of the northern economy,'" said the honourable Mr Hodgson. "Our government is determined to do everything it can to support the industry, particularly the prospectors and developers who are fundamental to the industry's future."

"Based on this declaration, I hope to meet with you or your representative on that day if possible."

My name is Rita Lecours, prospector since 1994 with my son, Gérald Lecours. We're a serious small entrepreneur company called Lecours Exploration. Both my son and I came from a business/lumber industry family background. My dad, J.D. Levesque, came from Rouyn, Québec, in 1948. From a small beginning, he developed a thriving lumber industry which eventually employed hundreds of people, brought growth to the town and area, and taxes to the government.

On my husband's side, three brothers named Arthur, Georges and Fred Lecours, also moved from Quebec to eventually operate a thriving lumber industry, which was also good for the Hearst and area economy. Both families prospered in Hearst and established their families there.

The north was built by persistent, hard-working people who believed in their vision and put deep roots in the ground with their small ventures, which were eventually profitable to the town and area and to the economic growth of the province.

Now I, Rita Lecours, believe that there are other natural resources in our region which haven't been explored to their potential yet. I quote from Mario's Mineral Potential: "A treasure trove lies beneath the surface of our province. With properly supported

exploration, we can continue to discover these treasures for the benefit of all the people of Ontario."

For my part, the Hearst region is my work area. Since 1994, Lecours Explorations have been active in claiming properties, assaying, trenching, beep mat surveys; we did dynamite, worked with a plugger and had visits by three different geologists. All of these costs were personally covered by Lecours Explorations.

My interest in prospecting started in 1994. For advice, I consulted my brother-in-law, Mauril Jean. He was a successful businessman in logging equipment and industrial machine shop, but also a hard-working prospector himself at the time. With his information, I went to the Timmins Ministry of Northern Development and Mines office. I purchased my prospector's licence. Louise, one of the employees, took time to instruct me about how to go about prospecting. With videos on staking and claiming properties, plus various literature, I came back to Hearst confident that the ministry would be there to help me, as I was told.

On a personal note, Mr Jean showed me what kind of maps I needed to get for the aerial photographs of the township and area I was interested in. I first was disappointed that the Ministry of Natural Resources was no longer giving that service, but the Hearst Lumbermen's Association helped me in obtaining those aerial photographs. From the Ministry of Northern Development and Mines, I obtained some topographic maps of different townships surrounding ours on which we had no information.

Why would the surrounding townships have an aeromagnetic survey done while ours was blank? After many attempts on my part to the ministry, I said to Louise: "Is it possible that the work has been done in that area but the report is somewhere else?" She said: "I'll tell you what, Madame Lecours. I'll look and inquire and phone you back if I find anything." That day went by with no news from Louise. I really needed those maps to start exploring the area of interest. The next morning, there was a phone call from Louise, who said: "You know what, Madame Lecours. I found sections of maps of old surveys done in 1962 in a filing cabinet." From that point, M. Jean, the independent prospector, informed me that there was a beep mat available from the ministry.

By phone, I reserved the use of the beep mat for a week in May 1994.

1710

With the beep mat, we found many conductors. After assaying a few, I phoned the Timmins office to have their comments on the results. We chose to bring some samples personally to Timmins instead of sending them by bus or mail, as requested. The geologists were quite impressed with the type of rocks we had and offered to have them assayed. Trusting that this offer would help us, the rocks were left with them. Time went on and on and on. We never had any results nor any acknowledgement at all on whatever happened with our samples. We had been forgotten.

I took some samples to the Ministry of Northern Development and Mines office in Thunder Bay, and I'm very grateful to Mr John Mason, who helped us as much as he could, not being of his district. I guess he was limited as to how much he could help.

The Thunder Bay office had some of our rocks assayed, and within a few weeks they sent us the results, which were very encouraging. Mr Mason also offered us the use of the plugger, which we used to drill holes to do some dynamite. We did some manual trenching and found good surface samples.

When Mr Brian Atkinson was transferred to the Timmins office, I was told by Mr Mason that I would get co-operation from Mr Atkinson. Two days after we called Mr Atkinson, he was on the site to visit our property. He then realized that our property indicated that the underlying green stone was wider than indicated on regional geological maps. This is a quote from Ontario Geological Survey, open file report 5972, report of activities, 1997.

We were informed of and encouraged to attend the symposium being held in Kirkland Lake, which we did. This led to two junior companies visiting our property. Then we did some mechanical trenching. In order to advance the property, geophysical surveys are recommended to attempt to define additional targets for mechanical stripping or diamond drilling. If sufficient financial resources are available, a geological survey should also be carried out.

If I understand well, the resident geologist would come back only when we were at the stage of drilling targets. Does this mean that we need to spend \$45,000 in order to have another visit from the ministry?

So far the help we had from the ministry was: no reports and no news from samples we brought to the Timmins office; a cancelled work report which was done with the help of a ministry employee after we traveled to Timmins; in Sudbury, our work report is not accepted and our claims are cancelled without notice.

Upon phoning Sudbury to know the reasons as to why our work report had not been accepted and why they did not give us time to bring corrections, I tell this particular employee that it was mean on their part to treat us that way after I had been told that the ministry was there to help. The employee asked, "Who told you that?" With an arrogant voice, I'm told that I have no business there if I'm not more knowledgeable than that.

I communicate with the Timmins office to inquire if I can put an objection against that decision. Yes, I could, but I would have to sign a letter of appeal which would represent some legal matters. I chose not to get involved in a legal battle but to start again and claim back our property instead.

Regarding the OPAP, after inquiry regarding this program, I am told that it is not worth applying. I would only lose my time, since I had no chance. This year though, in 1999, Lecours Explorations does make an application to the OPAP, but we are refused, we're told,

because of lack of experience; we were working with outdated maps.

I could go on and on. Where is the assistance to the prospector and explorer?

Please allow me to quote from a news release communiqué dated March 29, 1999:

“Mining will always be one of the cornerstones of the northern economy,” said Hodgson. “Our government is determined to do everything it can to support the industry, particularly the prospectors and developers who are fundamental to the industry’s future.”

Is there any chance for newcomers? Shouldn’t a prospector who is ready to use his own money be compensated, especially if he discovers conductors which are assayed?

Lecours Explorations has spent a considerable amount of money exploring, and from that work we have given the ministry a lot of valuable information. How can the ministry encourage us, compensate and give us incentive to go on?

In any type of business, I believe that the grassroots work is one of the most important factors, if not the most important factor. I was pleased to read from the news release communiqué by the Honourable Chris Hodgson that he reaffirmed the importance of this work. More assistance to prospectors would help in ensuring that new mineral deposits are found in northern Ontario.

Mr Jean, my brother-in-law, spent hundreds of thousands of dollars on 78 of his claims. He was another prospector of vision who invested his own time and money to help discover new deposits. For well over five years he poured into that industry, only to have his claims cancelled without any notice from the government. He had always been faithful with his work reports, but after a serious accident, not realizing the state of his work, he was stripped of his ownership of claims, which his wife and son discovered after his death. His death had resulted from this accident. When someone has worked so hard for so many years, would it not be fair to send a reminder to prospectors and explorers when their claims are to be brought to terms?

This is how I see the situation. Here we are in the bush, working hard, doing what the ministry requires of us. We then send the ministry our very precise work report. It becomes public and anyone working on computers and the Internet can just sit in a comfortable office, gather all that information and then, like a fox, just watch for the fallen bird and grab hold of it, if it’s of interest to them. Please give us a break and inform us when the ministry refuses our work report. Since we pay more than 60% in taxes to both governments, how much or what percentage of this amount is reinvested in the exploration sector in our area? The same treatment was done to us also. Yes, it’s business, but can’t we treat one another with more respect? I don’t see that as part of a good incentive.

Alternatives could include bringing back grants for companies, tax incentives—flow through—changing environmental laws, making new parks in southern

Ontario instead of northern Ontario, and building new infrastructures in northern Ontario. There are other existing and proposed programs from our neighbouring province of Quebec which could be used as examples of incentive, and I’ve got copies of those that I’m referring to.

I want to believe that our government will have the wisdom to find and put in effect solutions to support and encourage exploration, which is fundamental to the industry’s future.

I ask that God direct you in your decisions. Respectfully yours, Rita Lecours.

1720

Le Président : Merci beaucoup. On a trois minutes pour chaque caucus pour les questions. I’ll start with the government side; you’ve got three minutes.

Mr Arnott : Thank you very much for your presentation. You’ve given us a very thorough outline of your experience in the prospecting business since 1994, and we thank you for that.

I would say to you in response that you’re absolutely right, in the sense that as a taxpayer and as a consumer of government services you have every right and expectation to demand courteous and professional service from the employees of the provincial government. If that didn’t happen, I’m sorry, and we should check into it.

You’ve outlined the need for enhanced support for prospectors, and we hear you. If we look to the future and want to continue to have mining in Ontario, we need to support our prospectors. The concept of enhanced flow-through shares is something that has already been brought to our attention this afternoon and you’ve highlighted that again, and it’s something that I think the government needs to seriously consider.

I don’t have any questions, but I just wanted to again thank you for your presentation and wish you all the best.

Ms Lecours : Thank you.

The Chair : Anyone else on the government side? If not, I’ll go to the official opposition.

Mr Kwinter : Thank you very much. I found your letter very interesting. The recommendation you made at the end of your letter we’ve heard from the Ontario Mining Association and we’ve heard today from people in the mining industry.

But I just wanted to ask you about your role as a prospector. When I’ve talked to mining people over the years they always tell me that the prospector is the key to their business because they don’t have the ability to go out and do that. They depend on people like you and others like you who go out and sort of bird-dog these finds and then once they get them in most cases haven’t got the resources to develop them on their own, so they have to go to the major people and get investors and do all of these things.

When you started you must have had some advice, some counsel, as to where to go. I’m sure you just didn’t walk out on the street and say, “I’m going to go here.” How did that work?

Ms Lecours: Well, you might find it funny, but it's a vision I had. One evening I was watching a TV program at home alone about mining and the discoveries. I'm a believer in God and I believe in his directive. It's like I saw that particular area in a vision, an area I already knew, but I had never thought of going prospecting before. From that, I knew precisely where I needed to go, if that answers your question.

Mr Kwinter: And the results, I assume, confirmed your vision?

Ms Lecours: Yes.

Mr Kwinter: And where does that stand now?

Ms Lecours: In which way do you mean?

Mr Kwinter: Do you still have the claim?

Ms Lecours: Yes, we still have the claims, and if we had some financial help, we have other areas we believe we would go into. We would claim more. We were with a very knowledgeable geologist. The work he proposed on the claim we have been working on since 1994 is about \$45,000, just that alone. We have other areas in mind that we would like to claim also, but it's costing a lot of money. The two mining companies that came to visit our claim, because the investors have not been there really for a couple of years, they didn't have the money; otherwise, they were interested in optioning it and working on it. But because of a lack of money, that's why they—

Mr Kwinter: One last thing, just for curiosity: What is it you found? What mineral did you find?

Ms Lecours: So far it's copper and zinc, but the three or four geologists who came all said that when they look at the area, it's an area that would be good for gold.

Le Président: Merci beaucoup. Gilles, vous avez trois minutes.

M. Bisson: Merci beaucoup pour la présentation.

For the committee's interest, and I guess to make the point, often in the industry the reality is that 99.9% of gold mines or copper mines or zinc mines that are found are found by people like Rita and her company. I just give one little example. Sometimes they think, "What do you guys know? You're operating on a hunch or you've got a vision," or whatever, and often people try to dismiss you. I just want to tell you one story. A couple of prospectors back about 15 or 20 years ago believed that up in the Hemlo area there was gold, even though everybody had gone through there, all kinds of money had been spent. The majors had spent dollars in doing exploration, and everybody concluded, including Northern Development and Mines, that there was no potential for gold finds in that area. Well, the rest is history. John Larch and Don McKinnon went up there on a grubstake. They didn't even have the dollars to go out and do the thing themselves; they had to borrow money from a few individuals to have enough money to buy balogna and bread and everything else they needed to survive in the bush for a couple of weeks. They're now multi-millionaires. A whole industry has been created, three gold mines, up in that area.

The complaint I got from Rita is that what seems to be happening is that because of the reductions, to a certain extent, at Northern Development and Mines on the mines side, it's becoming increasingly more difficult for people like Rita to get the kind of support we used to get out of the Ministry of Northern Development and Mines to help them with everything from the map systems to assistance having to do with the technical information we need. The call she made to me was: "What's going on here? We're not getting the kind of assistance we need." So I bring back the point, and it's something I'll follow up with Rita later.

The other thing you should know, Rita, is that the Porcupine developers' association was here earlier and made the exact point you do around an enhanced flow-through share system. It's something I want to work with them and others on, because I really believe that if we don't pay the attention we need to to the prospectors now, our industry is in grave, grave danger in the not-so-distant future.

Peut-être que tu peux faire un commentaire ?

Le Président: Vous voulez faire un commentaire, madame?

M^{me} Lecours: Je n'étais pas ici cet après-midi. On est entré plus tard mais j'aimerais savoir s'il va avoir un follow-up? Est-ce que ça donne quelque chose d'apporter ça.

M. Bisson: Pour vous expliquer ce qui arrive à ce point c'est que le comité, les membres du gouvernement avec les membres de l'opposition vont faire un rapport qui va être donné au ministre des Finances et le ministre des Finances, lui, regarde l'ensemble du rapport pour faire des décisions pour son budget.

Nous, notre responsabilité comme membres de l'opposition, comme gouvernement, c'est de s'assurer que le gouvernement prend vos présentations au sérieux et c'est ça que je m'engage à faire pour vous.

M^{me} Lecours: Dans les copies que j'ai apportées, le programme du Québec puis une autre proposition qui a été faite par un géologue québécois, aussi une proposition qui a été présentée pour le Québec, je crois qu'il y a des bons points qui mériteraient d'être examinés.

M. Bisson: C'est exactement les mêmes points qui ont été faits plus tôt.

M^{me} Lecours: Oui? Ah bon.

Le Président: Au nom du comité, madame Lecours, je vous remercie pour la présentation très intéressante cet après-midi. Bonne chance.

M^{me} Lecours: Merci.

1730

MUSHKEGOWUK TRIBAL COUNCIL

The Chair: Our last presentation this afternoon is a representative for the Mushkegowuk Tribal Council. Could you please come forward and state your name for the record.

Mr Bisson: You can also clarify the title.

Chief Lawrence Martin: The name is Lawrence Martin. I am the Grand Chief from Mushkegowuk Tribal Council.

The Chair: On behalf of the committee, welcome.

Chief Martin: I am honoured to be here to do a presentation and to point out some of the issues and perhaps some of the recommendations we can make from our tribal council to the government and the corporate members who are in the room today.

I've been the elected Grand Chief of the Mushkegowuk people for about a year and a half now. This is the first time that an election like this took place, where everybody in the seven communities that I represent voted, and I, along with the Deputy Grand Chief, was elected at that time.

Since then, we have been really busy trying to develop what we call a regional government. We found that because of the status quo of our situation in our communities this could not happen. We have to unite and reorganize so that we can have a united front in terms of how we address the issues we have in our communities. Of course, we're always looking at ways in which we can forge partnerships, protocols with everyone who is involved: federal and provincial governments, corporations and so on. This is a nation-building exercise that we're doing and, in so doing, we are able to identify a lot of opportunities. I'm very excited. I see a lot of opportunities, just like the last speaker was talking about opportunities in prospecting and so on. I see those opportunities also, but there are issues in the relationship that we have as First Nations people, with the provincial government especially, that we have to resolve so that development can happen in partnership with our people, government and corporate entities.

We have to look at history for us to really understand where we come from. If you can imagine that there's a map right here in front of you, and up there you see Hudson Bay and James Bay, and Timmins is right where we're sitting—it just happened to be right here. The communities I represent up near the Hudson Bay coast are Attawapiskat, Fort Albany, Kashechewan, Moose Factory, and down south here New Post, Missanabie and Chaleau. Within those seven communities we have about 10,000 people. When you look at the history, you can see when the Europeans arrived here 300 years ago. Moose Factory, by the way, is probably the oldest community in Ontario, as you've probably read in your history books, and it's still there. What we've had to do is look at that and see all the changes that have come to our people. Some of those changes are positive and some are negative, and we have to accept both.

In the planning process we've had this past year, we looked at that history and watched as the Hudson's Bay came in, and then the missionaries and the governments, and then the BNA Act was put in place and then the Indian Act came in 1876. In 1870 there was a Rupert's Land Act, in which the lands were turned over to Canada with the condition that they would look after the interests of First Nations people in this country. After that came,

in our area anyway, Treaty 9—that was enacted in 1905—and Ontario was also a signatory to that particular treaty. But nothing happened as far as treaties go until the 1950s, during which communities became organized, reservations came into play and programs and services became part of what was being provided to the people as per treaty, as per the Indian Act and so on. Also around that time, we take a look back and see that First Nations people for the first time were allowed to vote in Canada. That was only in the late 1950s and early 1960s. So the history is important to look at in this process.

As we look further and further up, we see back in 1982 the Constitution of Canada, in which it includes First Nations people being recognized in their aboriginal and treaty rights, inherit rights. That's important to note.

Also, as we go along, we see all these different changes that have happened up to the present day. My job is to look at the history and to see how we can all be working together, no matter how much development has happened here in the province, and there has been a lot. We can see that. As I fly back and forth to my communities that I represent, I can see the extraction of all the trees from the land; I can see mining sites here and there. But when I land in my community I see poverty; I see houses that are full of people, two or three families in a two-bedroom house. I see kids running around because they have no place they can call their own. I'll see a lot of dropouts in our education system because of the inadequate system that's there now, that's been run by the federal government for so many years, and we have little access to the provincial education system without having to make payment. Of course, we don't have the means to make payment.

When I look around my communities I see 80%, 90% unemployment. As I said, there's something wrong with this picture. I hope in my job, in this three-year term that I have, I can extend invitations to the federal government, to the provincial government and to the corporations, to other communities and other people, so that we can work together and change that. When that treaty was signed in 1905, the elders then had a very different understanding of what they signed. They told us time and time again that the treaty was signed to share the lands and resources, and for us to benefit together. But that kind of picture that I'm painting you, which is a realistic picture, is not our definition of sharing, that's for sure. That's what I want to change. I want to be able to come forward to strike these partnerships so we can make things happen a lot better.

When we look at some of the communities I represent up at the Hudson Bay-James Bay coast, the remoteness factor is huge. The cost of living is much higher. For instance, we did a little comparison between Timmins grocery prices and Kashechewan's. It was a 125% difference, to a community that has 80% unemployment—\$19 for a bag of milk in cash in Kashechewan, compared to down here where it is \$2.99 or \$3.99.

These kinds of things really hamper how we can enjoy life, enjoy the benefits that everybody else is taking for

granted down here. Of course, we also don't have the infrastructure. We don't have a permanent road system beyond Cochrane, I guess, and then from Cochrane we just have the railway that goes up to Moosonee, and from there you just have the winter road. There is a barge system that operates in the summer, and of course there's the air transportation, which is fairly high.

We'd like to look at an infrastructure that can accommodate these changes. Again, we've talked to the various ministries in the province and also with the federal Indian affairs people. There seems to be a need to work towards something we can collectively work at and develop for the benefit of all. So that's part of the things I'm working on.

Being where we are, we can only look and work harder to try and find ways so that we can have our children benefit from education and other services. You probably heard this past year that our Mushkegowuk council took the Ontario government to court on the Ontario Works program. We simply said that particular program doesn't work in our communities when we have high unemployment, high housing problems, no place for our trainees to be given any kind of training time, placements. It just doesn't work.

I don't want to just fill you with all these gloom-and-doom kinds of stories. There's a lot of good stuff that happens in our communities too, and much of this has to do with our language. We have been able to maintain our language and our tradition and our values and our culture. That's been really important for us. We're still very close to the land and we're always out there as much as we can be, although it's getting harder and harder. You have to look at the whole picture. You can't just focus on one section.

For instance, now a lot of our young people are complaining that since there are no jobs—and of course if they can afford a snow machine, they can't have it. If you're on welfare, you cannot have a snow machine. You have to sell it. So it doesn't make sense. You just keep going around in this vicious circle.

1740

The other good thing that is happening in our area, and a very important thing, is the extension of the hydro grid from Moosonee up to Attawapiskat. That is going to change the cost of goods as far as hydro services go. Right now we have diesel-operated generators and the diesel is brought in on the winter roads. Sometimes it has to be flown in when the energy runs out. But now, through a special arrangement with the Department of Indian Affairs, we have a 10-year agreement with them in which they will finance up to \$44 million of the \$54-million project. The other \$10 million is coming from Ontario Hydro Services, in a partnership, and almost \$5 million is coming from the Ontario heritage fund.

By establishing these kinds of partnerships and working relationships, we are starting to make a little headway. But it was a hard thing to achieve and it took about three years to put that together. We still haven't

completed the project; we're still working on it. We were hoping that this particular winter we would have been able to haul the goods to start installation this year, but because of weather and because sometimes the banking industry doesn't allow certain kinds of loans to go through, with all the deregulation that is happening in electricity and energy, that is causing some problems beyond our control. But those kinds of things are what we are looking at.

Overall, when you look at the difference, even from the 1970s and the 1980s, of how many people in our communities are now educated—I had to leave my community to go to high school in North Bay when I was 14 years old, and many of our kids have done that. But now we are starting to have high schools in our communities. We now have one in Moose Factory, in Kashechewan and Attawapiskat, and that is starting to make a bit of change. Now we are starting to have a few more people in post-secondary, now we have a couple of lawyers, now we have a couple of people with doctoral degrees in education, now we have people in business administration, and now we are really starting to move.

Of course, with that come the questions and a different understanding of what has been happening in our history. Our respected elders have been sitting there quietly waiting for those treaties to be honoured. Now the younger generation is saying: "Come on. A lot of stuff was stolen; it was not a fair treaty. However it was worded back then, that was not the understanding of our elders."

There is now a need to look at this relationship very strongly. As we pay attention to the new provincial policies, Living Legacy, where I come from it's called the undiscovered lands. It's the year 2000 and here it's undiscovered lands. I can respect that from a planning purpose; however, it feels again like we are being left out of the whole planning process, and we are not going to allow that. We don't have any choice but to say we have to be part of this. We're part of life here today as we are, just as I am sitting here, and we have a lot of young people, maybe 65% or 70% of our population, under 25. That is going to make a big difference in how our relationship is going to be. If we are going to have development—miners, prospectors, loggers and so on—we have to have that recognition of First Nations people as having been the first people here and therefore should have some significant role to play in how the development takes place from here on in.

Without any kind of government participation, we negotiated a memorandum of understanding with a diamond company up in Attawapiskat just before Christmas. There, at least, the company showed there was some respect and understanding for First Nations people to have this traditional right to the traditional lands and therefore they need to be negotiated with. At least that's a start. They are now in the advanced exploration stage for diamonds, and we anticipate more visitors of that nature.

We recently met with northern development and mines about Operation Treasure Hunt—I really like that

name—to look for other samples of minerals that may be in the river systems. We do want to work with that. We are not against development at all. Don't get me wrong here. I just want to emphasize that we need to be part of it. If you come to our communities and stay with us for at least three weeks, you will see what I mean. Life would be different. So that is what I am hoping for.

The other thing that I'm hoping for too is, because we keep arguing the same topic over and over, and we're back in court at the end of February on the appeal over this Ontario Works over a very simple matter, all we're saying is, we want to work together and we're being told no. All that we're looking for now and that I want to recommend is perhaps some kind of special task force that can look at the costs of various programs that are being put on to aboriginal people—on reserve, off reserve—in Ontario, and to develop a partnership with the federal government and also the corporate entities on how we can start including First Nations people, and to apply some of these policies that I hear about that talk about equality and so on.

We're very much open to that idea. We will continue to bring these issues forward and to try to work with people who may or may not want to work with us, in the belief that our children need to benefit from the jobs. That's what we're looking for.

I shall leave it at that point. If there's any time left and if you have any questions, I'll leave that to you.

The Chair: Thank you very much. We have approximately four minutes per caucus. I'll start with the official opposition.

Mr Phillips: Thank you, Grand Chief. I read the court decision. It was profoundly important but got very little attention. It essentially said that no government can unilaterally implement programs without—I think they used the term—government-to-government consultations with the First Nations. As I say, it got very little attention around the country, when I thought it was huge.

You indicated that you're back in court at the end of this month. Is that correct?

Chief Martin: Yes, the 28th and 29th. This is the appeal that's going on.

Mr Phillips: I know this is a difficult question. Any expectations on when that proceeding may finish and a judgement ruled?

Chief Martin: It will be taking over two days in the courtroom. Judging from the first court appearance we made—it took about four months to get the ruling out—we can anticipate maybe something along those lines.

Mr Phillips: I look forward to that. As I say, that ruling got little attention but it was huge.

My second question is, in terms of the consultation with the provincial government and the First Nations, how well is that going? How is that done? I can remember when there were regular meetings between the Chiefs of Ontario and members of the cabinet. Is that still going on, and can you give us any indication of whether there are any recommendations on how the relationship may work more smoothly?

Chief Martin: It seems to be a hit-and-miss operation. I know in some cases there's been some consultation with First Nations taking place on some mining activities. In some cases, there hasn't been any. My only recommendation is a need to have the various ministries that are involved in this plan of endeavours to keep closer contact with the First Nations organizations and the communities that are being affected. We did quite a bit of negotiation with a particular company, Agrium mines, just outside of Kapuskasing, and now that negotiation has been bogged down because there was no consultation supplied. As a result, the First Nation there, Constance Lake, is now seeking a legal route to try and make sure that there's consultation and there's better understanding by the community members of what is actually taking place.

The communication part needs to be enhanced. That would be my recommendation. As far as the companies go, I have found so far that most of the companies we've dealt with have been really co-operative. They just don't seem to know the rules. Nobody really seems to understand exactly what consultation means or to what extent you have consultation. That can be defined a little bit more by working with the First Nations themselves.

1750

The Chair: You've still got a minute.

Mr Phillips: Oh, good. The distribution of the proceeds from the Rama casino, was that widely viewed as a positive step in the First Nations community?

Chief Martin: At the outset it was a very positive thing to have established with the provincial government of the day, but as it turns out, it took a real tough negotiation process to finally come to some kind of agreement as of today. The picture changed somewhat. It's still hopeful for the communities, however, to continue to try and draw some revenues from that. At this point, because of all that I mentioned in my presentation, the money that's required for the infrastructure, housing, economic development and social services, the Rama dollars represent some of that, and a lot of the communities have already gone out and spent their money even though the Rama money hasn't been distributed yet. They're paying a lot of money in interest to the banks just to make sure they get their housing projects in place and so on.

Mr Bisson: Grand Chief Martin, I want to echo something you said earlier in your presentation to members of the government. That would be to take up the offer to go up into some of these communities and stay for a while, because it shows you to what extent things have been allowed to let go.

The basic problem was that we have inadequate funding on the part of the federal government to those communities, to the point where there is no infrastructure in some cases, and we have the types of problems that lead to everything else as far as societal problems within the communities.

I was interested, because it's the first time I've heard anybody say this from within the native community, to

talk in a candid way about how the newer generation, your generation and mine, within the native community are now the leaders after the benefit of having gone to university and gotten the education from universities and colleges and such. They are starting to understand and are starting to participate in a way where basically they are saying, "Listen, we want to be included in what's going on economically in Ontario," and that is difficult because people aren't used to sharing on our side of the fence. For years, if you had a lumber company go in and do logging activities next to a native community, or a mining activity, you just went out and did it. You didn't bother talking to the aboriginal First Nations community; you just did your thing.

Now all of a sudden your leadership, the leadership of our generation, is saying: "No, no, no. We want to sit down at the table and figure out how we can get a piece of the pie for our citizens." I'm glad you said it: It takes a lot of goodwill on both sides because we need to find the kinds of solutions in the end to give everybody equal opportunity.

I'm just wondering what your experience has been generally. You made the comment in the case of Attawapiskat where that particular mining company said, "We didn't know, but we recognize that and we'll sit down." Is that the norm, or is there still quite a bit of resistance?

Chief Martin: There is some resistance because the companies are saying, "We've already applied for and have received the permits that we require," from MNR, MNDM or MOE, whatever particular ministry is responsible. They feel at first that they don't have to sit down and negotiate with First Nations people, but when we start bringing up the constitutional rights, the Constitution of Canada, and map out the history, then they start to understand.

Mr Bisson: But aren't they, according to the regulations now, supposed to point that out at the beginning? For example, I'm a prospector. I'm going out to stake a claim or possibly bring a mine into operation on traditional grounds that are affected by the First Nations people. Isn't the Ministry of Northern Development and Mines supposed to point them in the direction of the native leadership right away, and is that not happening?

Chief Martin: A lot of times it's just a letter from some ministry office that gets sent maybe to the band office, and it may be hanging there, but not everybody goes to the band office. How many times have you gone to city hall and just hung around there to see what kind of bulletin—

Mr Bisson: I try to stay away from city hall.

Chief Martin: There you go.

The Chair: With that, Mr Bisson, we've run out of time. I have to go to the government side. Mr Galt.

Mr Galt: Thank you, Grand Chief, for your very thoughtful presentation. It's from the heart, particularly as you talked about the big picture.

But as I listened to you zeroing in on things like 80% to 90% unemployment, that's beyond my understanding

and comprehension. I'm not disbelieving you. It's just that, being from the south or whatever, that's absolutely phenomenal. You went on and mentioned two to three families in a small, single-dwelling home. Certainly conditions are very different than we're familiar with.

I'm just curious about your election and understanding the governance, and I would just like to explore that for a moment, if I may. Are you elected from among the other band chiefs as a grand chief, and is this annual? How do you end up as a grand chief?

Chief Martin: I get elected the same way as you do.

Mr Galt: It's an open election among all those 10,000 people?

Chief Martin: It's an open election, yes.

Mr Galt: Like a mayor might; it's open in a community.

Chief Martin: That's right, and it's for a three-year term.

Mr Galt: This is like an upper tier, and then there are all the other bands, several bands within that jurisdiction?

Chief Martin: That's right. In my council area there are seven chiefs and councils. Each local community will have a chief and a council. That's representative mostly of the Indian Act system. The Indian Act says that for every 100 members you have to have a councillor, so there's a councillor for every 100 people in that community, plus a chief.

But in my case, it's been developed by the people. This is what they wanted. They thought this was something that would represent them more, over and above what the chief and council are doing locally. I was also the mayor of Sioux Lookout just a few years back, so I had that opportunity to be part of the system and understand it and know what the problems are.

Mr Galt: It's interesting you mentioned Sioux Lookout. My daughter and son-in-law lived there for six or seven years. They were with Wawatay and he is now with the aboriginal channel in Ottawa.

Chief Martin: I used to be the executive director of Wawatay. Who are they?

Mr Galt: They moved this last past summer. I'll chat with you afterwards.

Chief Martin: Oh, yes.

Mr Galt: Just coming back to this council, the tribal council is made up of other band councils. Is that the way that would be constructed?

Chief Martin: Yes.

Mr Galt: Do I still have some time, Mr Chair, or are we running out?

The Chair: Yes, a minute and a half.

Mr Galt: You've come before us and you've got a lot of problems here. What specifically can we do in this upcoming budget that would be of benefit to you?

Chief Martin: It seems a little bit too late to really do anything in this upcoming budget. That's why I recommend even some kind of a forum in which we can go a little bit further and discuss these issues that we have. I didn't even have time to put together what kind of monies are now going into our education system, or how

much money is going into long-term care, child care and so on, to be able to pick out exactly how much money is coming in from the province, and also, there is the need to examine some this 1965 welfare agreement between the federal government and the province, to see what kind of a sharing of costs is associated with that and how much is actually going in from the province to the first nations.

I think there's a need to examine this. If you recognize that there is a special situation here and that we should examine it, then I think my goal would be accomplished, that we can take a look at that in the near future.

Mr Galt: Thank you.

Chief Martin: We could also do a position paper to outline exactly what I'm talking about so that you can see in black and white what these costs are. How much time is available?

Mr Bisson: One thing you could do is drop the appeal on the workfare issue.

The Chair: I won't entertain any discussion across the floor. On behalf of the committee, thank you very much for your presentation this afternoon.

Chief Martin: Thank you.

The Chair: Before we adjourn, there are a couple of items that I'd like to bring to the committee's attention. The taxi will be leaving the hotel at 7 o'clock sharp. The plane is leaving at 7:30. The dining room is also open. We're told that they're going to be fairly busy. However, they do have a buffet if you want to eat before you leave.

Mr Galt: Are you serving dinner tonight on the plane?

The Chair: I don't know if I'm serving dinner tonight on the plane.

This committee will reconvene tomorrow morning at 9 o'clock in Brockville.

The committee adjourned at 1800.

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Chair / Président

Mr Marcel Beaubien (Lambton-Kent-Middlesex PC)

Vice-Chair / Vice-Président

Mr Doug Galt (Northumberland PC)

Mr Ted Arnott (Waterloo-Wellington PC)

Mr Marcel Beaubien (Lambton-Kent-Middlesex PC)

Mr David Christopherson (Hamilton West / -Ouest ND)

Mr Doug Galt (Northumberland PC)

Mr Monte Kwinter (York Centre / -Centre L)

Mrs Tina R. Molinari (Thornhill PC)

Mr Gerry Phillips (Scarborough-Agincourt L)

Substitutions / Membres remplaçants

Mr Gilles Bisson (Timmins-James Bay / -Timmins-Baie James ND)

Also taking part / Autres participants et participantes

Mr David Ramsay (Timiskaming-Cochrane L)

Clerk / Greffier

Mr Tom Prins

Staff / Personnel

Ms Elaine Campbell, researcher, Research and Information Services

CONTENTS

Tuesday 8 February 2000

Pre-budget consultations	F-281
Timmins Chamber of Commerce	F-281
Mr Kirby Williston	
Collectif centre de santé communautaire francophone de Kapuskasing et région	F-285
M ^{me} Marielle Cousineau	
City of Timmins	F-290
Mr Victor Power	
United Steelworkers of America	F-294
Mr Jim Kmit	
Porcupine Mine Managers' Association	F-299
Mr Dan Gignac	
Mr Lucien Gauthier	F-303
Collège Universitaire de Hearst	F-305
Mr Jacques Poirier	
Mr Raymond Tremblay	
Cross Country Ontario, Northern Ontario Division	F-309
Mr Ambrose Raftis	
Mr Bob Blanchard	
Mr Ken Gauld	
Elementary Teachers' Federation of Ontario, Local 1	F-314
Ms Deborah Murray	
Mr Jim Paterson	
Mr Dale Livingston	
South Porcupine Arena Association	F-319
Ms Brenda Torresan	
Mr Burt St Amour	
Timmins and District Hospital	F-322
Mr Wally Wiwchar	
Mr Esko Vainio	
Porcupine Prospectors and Developers Association	F-328
Mr Robert Calhoun	
Mr Siew Fumerton	
Ontario Secondary School Teachers' Federation, District 1	F-332
Mr Tony Sawinski	
Northern College of Applied Arts and Technology	F-336
Ms Cathy Hart	
Lecours Explorations	F-341
Mrs Rita Lecours	
Mushkegowuk Tribal Council	F-344
Chief Lawrence Martin	



ISSN 1180-4386

Legislative Assembly of Ontario

First Session, 37th Parliament

Assemblée législative de l'Ontario

Première session, 37^e législature

Official Report of Debates (Hansard)

Wednesday 9 February 2000

Journal des débats (Hansard)

Mercredi 9 février 2000

**Standing committee on
finance and economic affairs**

Pre-budget consultations

**Comité permanent des finances
et des affaires économiques**

Consultations prébudgétaires

Chair: Marcel Beaubien
Clerk: Tom Prins

Président : Marcel Beaubien
Greffier : Tom Prins



Hansard on the Internet

Hansard and other documents of the Legislative Assembly can be on your personal computer within hours after each sitting. The address is:

<http://www.ontla.on.ca/>

Index inquiries

Reference to a cumulative index of previous issues may be obtained by calling the Hansard Reporting Service indexing staff at 416-325-7410 or 325-3708.

Copies of Hansard

Information regarding purchase of copies of Hansard may be obtained from Publications Ontario, Management Board Secretariat, 50 Grosvenor Street, Toronto, Ontario, M7A 1N8. Phone 416-326-5310, 326-5311 or toll-free 1-800-668-9938.

Le Journal des débats sur Internet

L'adresse pour faire paraître sur votre ordinateur personnel le Journal et d'autres documents de l'Assemblée législative en quelques heures seulement après la séance est :

Renseignements sur l'index

Adressez vos questions portant sur des numéros précédents du Journal des débats au personnel de l'index, qui vous fourniront des références aux pages dans l'index cumulatif, en composant le 416-325-7410 ou le 325-3708.

Exemplaires du Journal

Pour des exemplaires, veuillez prendre contact avec Publications Ontario, Secrétariat du Conseil de gestion, 50 rue Grosvenor, Toronto (Ontario) M7A 1N8. Par téléphone : 416-326-5310, 326-5311, ou sans frais : 1-800-668-9938.



LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
FINANCE AND ECONOMIC AFFAIRSCOMITÉ PERMANENT DES FINANCES
ET DES AFFAIRES ÉCONOMIQUES

Wednesday 9 February 2000

Mercredi 9 février 2000

The committee met at 0901 in the Royal Brock Hotel, Brockville.

PRE-BUDGET CONSULTATIONS

The Chair (Mr Marcel Beaubien): Good morning, everyone. It is 9 o'clock and I'd like to bring the committee to order.

ALAN BICKERTON

The Chair: Our first presenter this morning is Alan Bickerton. Could you please step forward and state your name for the record.

Mr Alan Bickerton: My name is Alan Bickerton. I am president of Bickerton Insurance Brokers in Gananoque, Ontario.

The Chair: On behalf of the committee, welcome. You have 15 minutes for your presentation this morning.

Mr Bickerton: Thank you for this opportunity to appear before you today as you receive ideas to consider for your 2000-01 budget. It is an unexpected and rare opportunity, and one I appreciate very much.

As a general insurance broker, my comments are partly focused on the insurance industry and partly on small business. I am a very strong believer in the importance of small business to the Ontario government and to the Ontario economy.

I would like to compliment the government on its accomplishments since the beginning of its first term in office just over four years ago. You inherited a truly horrible fiscal situation from the previous NDP government. Having taken the drastic steps necessary to wrestle the out-of-control spending, we will very soon enjoy a balanced budget. You have also taken a long-overdue step in implementing balanced budget legislation to prevent future unbridled spending of our hard-earned taxpayer dollars.

You had the courage to cut up the government's gold credit card. What a relief to know that soon we will actually be starting to reduce our debt and redeploy the money that has been needed to pay interest. Past governments have failed us miserably as trustees of the public purse. My business is as a trustee of my clients' money. If I had treated it as cavalierly as prior governments treated our public tax money, I would be in jail. Thank you for turning the situation around.

To the naysayers out there who have felt they were disadvantaged by the cuts that were made, I say that we had all become too used to having government throw money at our every request. This includes education and health care as well as many other departments. It was high time for us to accept a dose of reality and stop feeling sorry for ourselves.

Now that your house is back in order, you will have choices to make to redeploy and reallocate some of those surpluses.

Debt reduction: First and foremost, start paying off the accumulated debt. This should be done on a predictable and committed basis.

Education and health care: Allocations should be made to health care and education but only where the need is greatest. I firmly agree with your move to retest and recertify teachers on a regular schedule. While I am not conversant with the frequency of testing, it is certainly long overdue and hopefully will remove the career-for-life concept that has permeated the education and schooling system for far too many years. Educators will now be faced with the same real-life performance standards that we in private enterprise face every day.

Make these allocations of resources thoughtfully and with good fiscal management required of the recipients. Overspending or inappropriate spending will be viewed by the public as a failure. No government needs to be reminded about what happens when the public gets upset. I think that all citizens expressing concern now about health care truly understand that you did what you had to do. Now there is an opportunity to put some money back into the system but it must be done judiciously.

Natural disaster reduction plan: Third on my list, I would like to encourage you to look favorably upon a proposal by the insurance industry to participate with other levels of government, federal and municipal, to establish a natural disaster reduction plan. I know you have had a presentation on this plan from the Insurance Bureau of Canada and I also know that many MPPs have been made aware of the plan through private meetings with local insurance industry representatives such as myself. As a result of these previous presentations, I will not repeat the details of the concept here. Having lived first-hand through our now famous ice storm of 1998, I can tell you that with a natural disaster reduction plan such as is being presented to you by the IBC, the overall

cost to governments and insurers would be enormously reduced in the future.

You have heard about the enormous savings realized because of the building of the preventative Winnipeg floodway. You may or may not know that the insurance industry spends about \$1.5 million in Alberta seeding hailstorms. This is to reduce the threat from hailstorms and diminish their impact. The success of that program has returned the annual investment many times over.

Due to the enormity of natural disasters and the well-proven fact that natural disasters are increasing in both frequency and severity, it is obvious that the scale of preventative measures must be equally large. Accordingly, the cost is most appropriately addressed by governments. Please consider seriously the long-term benefit of making the recommended annual allocations of 15% of the cost currently being paid by governments towards recovery from these disasters. Imagine how little government involvement would be required if more power distribution lines had been buried underground prior to the ice storm or if better drainage had been implemented prior to Hurricane Hazel back in 1954.

Sustainable economic growth for Ontario: Ontario is unquestionably a terrific place in which to live. With your continued fiscal vigilance, Ontario will become an even better place in which to do business. Specifically, I suggest that with revisions to the tax system, Ontario could become the most envied and sought-out location for businesses in all of North America.

For individuals, income tax is based on one's gross income. That's not a difficult concept. For corporations, however, gross income is disregarded and replaced with a tax on profits. It should be renamed a profits tax, or better still, change it to be based on gross income. Obviously, the percentage charged would have to be considerably reduced.

I appreciate the fact that Ontario does not have its own tax act, other than for corporations, but rather charges a percentage of the federal tax rate. What I am suggesting is that the Ontario government either consider influencing the federal government to change their system or develop Ontario's tax separately.

As a businessperson and as a chartered accountant in my previous career, I have always found it an enormous waste of human resources to have to engage a small army of professionals to understand the Tax Act and guide taxpayers through it each year. My suggestion for simplicity would help to reduce the need for this waste. At the risk of being hung for treason by my fellow CAs, I think simplicity is best.

Tax counsellors have always joked that their income increases exponentially with the increase in the thickness of the Tax Act. There's absolute truth to that. Can you imagine the collective brainpower that could be redirected into positive, offensive planning rather than defensive planning if we could make a system that represented a one-line tax return, with no convoluted exemptions and no unintelligible rules?

0910

If the corporate tax system can't be simplified, I submit that income or profit taxes on corporations should be eliminated. I know that sounds terribly hard to imagine. I'll even go so far as to agree that it would be very difficult to deliver politically. However, consider that corporations and unincorporated businesses are only amalgamations of shareholders and owners. These owners want either a return on their investment in cash or by way of having their companies reinvest for expansion.

All businesses employ people. Those people pay taxes on their gross salaries or commissions. Since corporations now pay profits taxes, they pay dividends to shareholders with after-tax money, and there has to be a different rate to individuals receiving those dividends. Why not consider for a moment that businesses either retain profit to purchase new equipment or expand in some way to employ more people or become more efficient? With more workers, more taxes are collected.

If the money is not used for expansions, it will eventually be paid out to shareholders, since they would not allow the directors to retain unused profits indefinitely. The tax should be collected when it is paid out to the individual shareholder. There would not have to be a different rate on salaries, dividends or capital gains. Income would be income, period; no exemptions, no hard-to-understand rules.

Can you imagine how Ontario and Canada would be viewed by corporations if they knew they could retain profits, untaxed, to use for expansion within Ontario or Canada? Obviously, foreign owners, corporate or personal, would be taxed as soon as the money crossed the border to be repatriated to those foreign destinations. Can you imagine the collective brainpower that could be released into proactive endeavors?

I know this may seem radical, but maybe it's time to start with some radical, unusual thoughts and percolate out the best of them to develop a system that would be the envy of the world.

I encourage you to keep striving for fiscal perfection, paying down our provincial debt, re-establishing the necessary levels of health and education funding and establishing a natural disaster recovery plan. These should all be pursued with vigor.

I also encourage you to think seriously about ideas that will bring Ontario on to the radar screens of corporations, large and small. These corporations would see Ontario as a tax haven in which to operate and employ Ontario residents. I firmly believe that with more businesses in Ontario employing more Ontarians, the loss of corporate tax revenue would quickly be offset by increased personal tax revenue.

I look forward to answering any questions you may have. Thank you again for this opportunity to present my thoughts to your committee.

The Chair: Thank you very much for your presentation. However, we have run out of time. We've basically used the 15 minutes for your presentation. On behalf of

the committee, again, thank you very much for your presentation this morning.

GORDON CAMERON

The Chair: Our next presenter this morning is Gordon Cameron. For the record, could you please state your name. On behalf of the committee, welcome. You have 15 minutes for your presentation this morning.

Mr Gordon Cameron: I'm Gordon Cameron. I'm the president of Hewitt (Brockville) Ltd. I can assure you I won't use anywhere near my 15-minute allotment, so there may be some dead air space.

Just to give you a little background here, I am a small business owner. I've owned a business that's grown over the last 26 years to have approximately 60 employees. Our business is primarily that of a machine shop, a fabrication shop. We've grown as a result of a local economy that's grown over the years and also by expanding outside this local area. So my remarks are based on my experience in running a small business.

There are two points I would like to make. The first point is regarding the provincial debt. I understand the figure is around \$120 billion, give or take a few billion. I also understand that the interest payments are approximately \$9 billion, give or take a little bit. I also understand that our budget is going to be balanced or is balanced now. But I think it's really important that we get that overall debt down and that we look at that as sort of an albatross hanging around our necks. Some people might argue that as the economy grows debt is a smaller percentage of a larger economy, but I think it would be prudent to try and bring that debt down. That's something that I think we should always be looking at.

The other thing I'd like to talk about is the problem that small businesses have getting venture capital money. I can give you our story. A few years ago, we realized that as a small business in Brockville we had to look outside the local area and also outside our borders to keep growing. We came up with an idea that we would look for a company that we could buy or get involved in that had a mandate of selling worldwide and also making products that we could make in our own facility. We found one and it was a start-up business. We've been at it for four years and it has tremendous potential. All of its sales are going to be worldwide.

We happen to be fortunate that we have a reasonable amount of cash so we can fund this thing internally at the level of activity that we want. But from the experience I've had with this company, it has tremendous potential in the environmental business. The problem is, with a start-up business it takes a tremendous amount of cash and the time line, when you think the thing is going to finally click, keeps moving. So it takes a tremendous amount of time and patience as well.

What I see with a lot of start-up businesses is that you can't go to the banks because you have no assets. A modern company today probably wouldn't have a lot of assets. It would be like Nike. It would be a sales and

marketing organization. If it was in the software business or the dot.com business, it would have zero assets. So what traditional lenders look at isn't there in a modern company. The next thing is the companies that are going to grow are going to have a lot of international exposure, which means more risk for receivables and things like that. Again, the traditional lenders don't understand that and don't want to get near it, because it has a lot more risk.

If you go to the venture capital people, a start-up business or anything under \$2 million or \$3 million is too small for them to look at. So you have businesses that are, if you use a step analogy, on step one or two. The venture capital people wouldn't look at the thing until it was probably at step six or seven. So you've got this huge gap there. What I see is that there's an opportunity for the Ontario government to create a tax incentive for people to take that risk.

I understand—I have some notes here—that Bill 164 tries to address this partially, but in talking to some people, it appears that it's not doing a very good job at it. Some of the comments that I've got from people who have looked at the thing are that there was not a lot of response from the ministry when asked for application information. There's a need for a co-sponsor in the fund, either a municipality, an educational institution or a First Nation organization. There appear to be cumbersome requirements that have hampered, for example, a local goal of making a case-by-case investment decision on the basis of the small business's business plan. There is something there but I don't think it's working.

We don't need another program. We need some sort of tax incentive to allow people who have money—for example, in this area there are a number of people who would be willing to invest in a small business that was in a start-up situation, or become venture capitalists, but because of the risk, they need a tremendous incentive to do it. I think the government should look at providing a very large tax incentive for investors to invest patient capital in small businesses. The investor has a lot of up-front costs, due diligence. That would be borne by them. But there would be a real incentive to do it.

0920

The payback, of course, is that I believe this is where the growth is going to come from. To position ourselves for the future is going to be, as a province, taking risks on small businesses that are in areas that other people don't want to take the risk in. Certainly, if you look at the list of venture capital companies, very few of the companies that they invest in are in manufacturing. They're in service businesses, intellectual-type businesses, information businesses. These are things that don't have a lot of assets, so you have to look at it differently.

Anyway, thank you for the opportunity to speak to you. Do you have any questions?

The Chair: Thank you very much. We have approximately three minutes per caucus.

Mr David Christopherson (Hamilton West): Thanks for your presentation. You mentioned that getting

the debt down was the economic priority that you see, yet the government's path to get there has been to cut provincial revenues by between \$5 billion and \$6 billion every year. That has increased the debt of the province by between \$20 billion and \$25 billion. In addition, our international bond credit rating has not changed since Premier Harris took over from Premier Rae. Don't you think it would have made a lot more sense for the government to hold off on the tax cut until such time as they've brought the books into balance and allowed our international credit rating to improve, and not add another \$20-billion to \$25-billion debt? That in fact would have then balanced the budget years earlier. Don't you think that might have been a little more prudent, if debt reduction is your priority?

Mr Cameron: I think on the other hand, by what the government did, they created a lot more jobs. The economy is very vibrant, which is the other side of the coin.

Mr Christopherson: If I can, what we've heard from virtually every economic expert who came before us at the beginning of our hearings was that the overwhelming majority of the benefit we're receiving in terms of the economic boom we have is as a result of the American economy, in particular the auto market. Of course, someone buying a car in Wisconsin is not affected by any kind of tax cut in Ontario. So the tax cut, according to senior economists, has been negligible.

Mr Cameron: We do some business in Toronto and some of the companies that we deal with are not in the auto sector and they're doing very well as well.

Mr Christopherson: There's no question; everyone is doing better. I'm not an economist, but the experts are coming in and telling us that the main reason we're booming the way we are is because of the American economy, which, as you know, is defying gravity. I just raise the point that if debt reduction is the most important thing, I find it somewhat strange when people who are relatively well off feel that it was OK to go with the tax cuts since they benefited the most. To me, it's contrary to their argument that the debt ought to be the priority. It looks to me like they're trying to have it both ways. In fact, the senior economist from the Royal Bank said that it's much like pigs at the trough in terms of the fact that the boomers have benefited from the debt in terms of the money having been spent on our society, and at the same time, at our peak earning powers we're benefiting from the tax cut and the younger generation could indeed look at us as being pigs at the trough.

Mr Cameron: I hope they don't.

Mr Ted Arnott (Waterloo-Wellington): Thank you very much for your presentation. We appreciate the fact that you've come forward and given us the advice that you've given us.

I think it's fair to go back to a review of the electoral platforms of the three political parties in the 1995 election. As you know, our party was supportive of reducing the deficit to zero over a five-year period, with a 30% personal income tax cut. I recall the NDP's position in the 1995 election was to balance the operating budget

after three years' time with no significant tax cuts, which I think would have required fairly significant expenditure reductions to accomplish. The Liberal Party's position at that time was that the budget would be balanced in four years and that there would be a relatively modest tax cut of around 5%, which was somewhat undefined.

So there was some similarity in all three parties' positions in the sense that they all wanted to work towards a balanced budget. But remember, when we came into office in 1995 the deficit stood at \$11.3 billion. So it would have required a number of years of fiscal discipline, even if there weren't tax cuts, to balance the budget. I think it's fair to say there would have been spending reductions in many areas to accomplish that, no matter who was in power.

Like you, I think that debt reduction has to be the next priority of the provincial government. I think that your advice today is helpful to us. We need to have a disciplined, long-term plan to reduce the debt, to pay down the debt, retire it, whatever you want to call it. We need to have interim targets every five years and try to set goals for ourselves to pay down a certain percentage of the debt. I want to say to you that we do appreciate your advice. We appreciate the work you do in your business, the fact that you've expanded your business because you've seen opportunity and you have confidence in the economy, and we want to wish you all the very best for future success too.

Mr Gerry Phillips (Scarborough-Agincourt): I appreciate your advice and all the other things, and congratulations on the business. I'm going to focus on the access-to-capital issue. In the 1997 budget, the government established what you were referring to there—

Mr Cameron: Bill 164.

Mr Phillips: They called it the Community Small Business Investment Funds Act and established the community small business fund. You've got your finger on an issue, which is that the venture capital people, including the labour-sponsored venture capital people, seem to have a threshold that's above what you're talking about.

Mr Cameron: Yes, starting at \$2.5 million.

Mr Phillips: So you're looking for funding—

Mr Cameron: Up to a million.

Mr Phillips: Sort of the start-ups.

One of the things that governments are always cautious of is initiating programs where there's an expense involved. When you offer a tax break there is an expense; it's a lost-revenue expense, so they're cautious. The reason the government started up the small business investment fund was to ensure that there was some due diligence as to where those funds were spent. In theory, this is supposed to be the program that would answer your needs. It has been going since 1997. I don't know how many are in play right now, two maybe?

Mr Arnott: Not enough.

Mr Phillips: I think there are only two after three years now, so something's not working here.

Mr Cameron: That's right.

Mr Phillips: Actually, the labour-sponsored venture capital corporations are now investing in these things. So there's lots of paper shuffling and meetings and titles probably, and business cards being produced and lunches being held, but relatively little ever flowing through to what you need.

Mr Cameron: That's correct. Even with the labour-sponsored pools, if you look at Working Ventures and Capital Alliance, which are two whose statements I look at, there isn't a lot of activity from year to year. They might have 60 companies—I'm just going from memory here—on the books and they might have a change of 10 per year.

Mr Phillips: Yes.

Mr Chair, I think the presenter has got his finger on an issue. There's a theoretical program out there that isn't working, so we've got two choices. One is that we adopt your suggestion, or at least the government adopt something, or we make these things work somehow or other. I wonder if it might be appropriate, when the witness leaves, if we ask the research staff to get an update on how many of these things are working now and how many investments—I had a briefing on it about six months ago and there was one, I think.

The Chair: We'll take that undertaking, Mr Phillips.

With that, we've run out of time. On behalf of the committee, thank you very much for your presentation.

MALCOLM STOPANI-THOMSON

The Chair: Our next presenter is Malcolm Stopani-Thomson. Could you please state your name for the record?

Mr Malcolm Stopani-Thomson: Malcolm Stopani-Thomson. I'm a retired engineer and private citizen.

The Chair: On behalf of the committee, welcome, and you have 15 minutes for your presentation this morning.

Mr Stopani-Thomson: Mr Chairman, members of the committee, the constitutional taxation belief system is expressed in the article from the Ottawa Citizen, "6,000 Years of Feeding the Dragon," of Monday, February 7, 2000, at page A15, by Randall Denley. It states, "In Canada, taxpayers were cooked from day one, when the British North America Act gave the federal government unlimited taxing powers." This is not so, but it is the belief system.

There are six sections in the Constitution of interest; five major, one minor. The sections are 91, 92, 102, 126 and 107, and the minor one is 130.

0930

On the handout sheet, you will see that the word "generality" occurs within section 91. If you go to the Concise Oxford Dictionary, which is the official dictionary of the federal government, you will find out that generality means "being general." If you go down to the bottom and look at the last trailing paragraph, 91, you'll see that local and private matters are assigned to the provinces.

If you go to 102 and 126, you'll find the word "special," and special in the dictionary means "not general powers of the legislatures of the provinces," ie, Ontario. If you look carefully within the Constitution, you will find the words "assigned exclusively." They occur in section 91, the introductory paragraph, head 29, and the trailing paragraph. They also occur in section 130, and they'll always occur with "assigned exclusively to the legislatures of the provinces."

If you look up the word "assigned," it still means—and it's on the second page; you can see it—"allotted as a share to; made over (especially personal property)." "Exclusive" means "shutting out." So we have four times in the Constitution the words "assigned exclusively to the legislatures of the provinces," and this basically states that personal property belongs to the provinces. So why is the federal government taxing personal property?

What I said was about the generality. You look at "general," being general; you look at "local," assigned to the provinces. Local and private are also in section 92.16.

If you want to look up the word "act" in any of the dictionaries—in this case I've given you the one that comes out of Black's Law Dictionary—it says an act is "public general," "local," "private," and "special" equates to local. We have a situation here where continuously through the Constitution you uphold that you as the provinces have total control of personal property.

If you go down to section 107, you'll find the words "all stocks cash." You look in the dictionary and cash is "ready money," and yet with the GST you are taxed on the ready money when you walk into a store. Cash is defined within the Constitution as "property," the third line down in 107. Property is exclusive to the provinces under section 92.13 and there's many a court case that says so.

If you go back to the handout on section 91, you will find the word "exclusive" right at the top. That is the one and only exclusive given to the federal government. There are seven other exclusives that apply to the provinces. All have been ignored by lawyers, courts etc. Those exclusives are two in the heading of 92; one in the title, one on top. You'll find "exclusively" occurs four times. The last exclusive is education. The gentleman before me was talking about education funded by the federal government, yet it's exclusive to the provinces.

You'll find also, as you look down here under section 91.29, the words "expressly excepted." The word "expressly" is also in the dictionary and "excepted" also. If you look carefully at that and you substitute these into the actual one, you will find that section 91.29 then reads, "Such classes of subjects as are 'definitely stated, not merely implied as excluded from enumeration' in the enumeration of the classes of subjects made over (especially personal property)"—that's section 92.13—"to the legislatures of the provinces," such as the class of direct taxation in 92.2.

The aim of the Constitution was to have personal property assigned to the individuals who lived within Upper Canada and that was to be taxed under 92.2. When

you get to the Caron case, which turned around and didn't understand the basic structure of the Constitution, they find the right to direct taxation to the federal government for purposes of the Dominion.

In 1887, *Bank of Toronto v Lambe* was the first case in which an imperial Parliament had to decide what direct taxation was, because the imperial Parliament had all powers. They could do anything they liked, including hang old guys who wrote with their left hand if they wanted to. They turned around and decided that John Stuart Mills's definition was to be the one accepted, and it's still today being used by the Canadian government as the standard. However, you'll see in the handout on the Bank of Toronto that the bar turned around and decided that the word "general" that John Stuart Mills wanted to add to direct taxation did not fit the description of income tax. So basically now, under section 91, we have a government with general statutory powers only levying, and not general tax.

The "assigned exclusively": Like I said to you before, you can go through and look it up. But when you start getting into the definition of an individual—that's you, me and everybody else around this table—you are single, particular, special, opposite to general. The federal government has only general powers. When you are special, you are not general. That's what the dictionary calls it. General is universal, but not local, particular, partial or sectional. So we tolerate the Clarity Act being written by the federal government, dealing with Quebec, which is a local act passed by a general government, and it deals with one province only. The word "general" means not particular, and they've got an act for a particular province.

You sit back and you worry about your finances coming in, but you have a situation where you allowed the transfer payments to be put in the Charter of Rights and Freedoms, schedule B to the Canada Act. Is it or is it not sectional? They pay Atlantic provinces out of tax rates in Ontario, so you get this mishmash. The basic bottom line is the feds have the general statutory power; provinces have the local, private and special, because those are the acts, the statutory power, that existed in 1867.

When you go back to section 91 and you look carefully at it, past the word "generality" you have the words "foregoing terms." If you look in the Concise Oxford Dictionary, you will find that "foregoing" means previously mentioned terms or conditions. What are the previously mentioned conditions? If you go to the first part, it says "peace, order, and good government."

However, gentlemen, you have a Lieutenant Governor in this province, as of 1867, who is a direct descendant of James Murray, who is the general who took over from Wolfe when Wolfe was killed on the Plains of Abraham. Under the royal proclamation of October 7, 1763, he was enjoined to appoint governors that were to look after peace, welfare and good government. So now you have a situation where you have the federal government, with general powers only, dealing with welfare.

I don't have it down for you, but if you happen to look up "welfare" in the dictionary you will find: "A satisfactory state, health and prosperity, wellbeing, usually of person, society etc. ... Welfare state: one having national health, insurance and other social services."

So now you have Ontario taxes flowing to the federal government from the GST, the Income Tax Act; some \$90 billion from the various provinces, from Ontario usually the most of it, somewhere around \$40 billion most probably, all in not general taxes flowing to a general government and coming back from a government that has peace, order and good government spending it on welfare, which is the mandate of the provinces.

You sit here and you don't know this. You most probably never read the Constitution. I read it for eight years, over and over again.

0940

A tax is defined within the Black's Law Dictionary as "a rateable portion of the produce of the property and labour of the individual." Now, you look up "private"—it is within your statutory powers to deal with the private—you can tax my farm, you can tax Darwin's farm, or his aunt's. You can do what you like with the person. Then you stand back and allow the federal government to tax the individual too, so you have a double taxation system, because you don't understand what the Constitution says. You can quote all sorts of statutes that were passed prior to 1982, but the mistake that Trudeau made was he brought this back, made it the written Constitution of Canada with the words still in it.

I basically wanted an excuse to talk to you on the unemployment insurance. You have a SIN number given to you if you're a private individual. You have the federal government dealing with private individuals. They don't have the statutory power of the private. They're collecting your money and they turn around and they hand it back to you and they'd like you to believe that they have the right to do so. But if you look at 118, especially if you go down in the notes below section 118 of the Constitution, in the Constitution itself, and you read them carefully, you'll find there was a lump sum payment to all the provinces and there was a universal per-head allowance given.

Paul Martin stands up the other day and talks about the universal baby care program they had. This is fine, but it only applies to babies. That's a partial, part of the provinces. If you want to talk about the territories, don't. The territories fall under section 146, and for section 146 the laws are made as if they came from Westminster.

We have a bigger problem in Ontario. We have a problem where we have all the judges on all your courts appointed by the Governor General. In 1949, William Lyon Mackenzie King requested permanent letters patent from St James's Palace, and they came from the hand of the king. They came to Canada under the Great Seal of Canada. What statutory power does the Great Seal of Canada hold? Talk to the federal government; they think they've got everything. That's why they've walked over you for the last 120-odd years.

The Great Seal of Canada holds general statutory powers only. That is in accordance with resolution 28 of the London conference on confederation in 1866. These principles are brought forward by W.P.M. Kennedy in his article "Interpretation of the British North America Act, 1867" that occurs in the Cambridge Law Journal at page 146, 1943.

We have a situation—

The Chair: You have one minute to wrap it up.

Mr Stopani-Thomson: Okay. I hope sincerely that you have an alternative thought on what the Constitution stands for in my presentation, and I sincerely hope you do something about it, because I'm getting sick and tired of being taxed by the federal government. People go to a court and they go to an admiralty or a civil court and it has three things. If it's an admiralty, it has prize money, it has torts and it has contracts. If you go to a civil court, it has torts and contracts. When the federal government revenue department stands there with the T1 generals, they do not produce the original contract. So all the cases that are being done in the civil law courts are fraudulent.

As far as the appointment of judges, like I said, they're being appointed under the Great Seal of Canada with general statutory powers only. There isn't a single judge in Ontario who has the right to hear local and private matters, because they don't have the power they can delegate.

The Chair: With that, I have to bring it to an end because we have run out of time. On behalf of the committee, thank you very much for your presentation this morning.

Mr Stopani-Thomson: I tried to pack in as much as possible, gentlemen.

Mr John Gerretsen (Kingston and the Islands): No time for questions, Mr Chair? I have a few of them.

The Chair: No time for questions, Mr Gerretsen. I'm sure you do.

Mr Gerretsen: Have you discussed this with your local member here and with the Attorney General?

Mr Stopani-Thomson: He phoned me up and suggested I come here.

Mr Gerretsen: I bet he did.

Mr Doug Galt (Northumberland): I always suspected those rascals in Ottawa were up to no good, and now I know for sure.

Interjections.

The Chair: Thank you very much. I must bring back order to the committee.

JACK DRYNAN

The Chair: Our next presenter is Mr Jack Drynan. For the record, please, could you state your name. On behalf of the committee, welcome. You have 15 minutes for your presentation this morning.

Mr Jack Drynan: My name is Jack Drynan. My story won't be so complicated. It's just about money.

Ontario pre-budget tax review committee, committee members, my name is Jack Drynan and my topic con-

cerns the property taxes of my tenants at the Seeley's Bay Centre. I will read my letter of September 7, 1999, to the Brockville regional assessment office and then my text.

"Regional assessment office ...

"Brockville ...

"Michael Palmer

"Senior assessor

"Dear sir:

"Enclosed is the completed schedule of occupants as per your August 30 letter request.

"In the July 99 supplemental assessment

"The assessment for the LCBO, May 1, 1999, would be approximately \$1.77 a square foot.

"The assessment for the medical, January 1, 1999, would be approximately \$2.01 a square foot.

"I find these rates excessive for a rural area lacking in services and offer in comparison the following news release in the Toronto Star showing Mississauga at \$1 per square foot with the services of an urban area.

"A medical centre and a full-time LCBO have brought a much-needed boost for this community and a more moderate tax will help lease the other 70% of the building.

"Trusting the July 1999 supplemental assessment rates will be revised by my appeal to be competitive, as the Harris government advocates."

The Seeley's Bay area has a need for employment. A great number of the people are unemployed and receive government assistance, which could be confirmed by your office.

The Seeley's Bay Medical Centre opened July 1998 in our new mall and has gone from zero to over 4,000 patients. The seasonal LCBO that was relocated to the mall is now operating very successfully on a full-time basis. Both of these ventures have created services and employment where they did not exist before, along with maintenance such as snow removal, lawn service and construction. One resident has opened up a beer bottle return depot due to the LCBO operating a combined store.

The 12,000-square-foot mall sits on one of three lots that were divided up from a 10-acre parcel with a road passing through it to service the three commercial lots. There is potential for the other two equal-sized lots to be developed, as well as the unoccupied area of the mall. The development of the property, road and building have all been done privately. The medical centre's 1999 tax bill for 1,200 square feet was \$2,451.66 or \$2.04 a square foot, which is twice the price of Napanee, Markham and Mississauga.

Can you imagine how much relief having 4,000-plus patients attended locally takes off the Kingston General Hospital, as well as the effect proper maintenance will have on future long-term care? If this fact is worth considering, then consider that the same taxes charged elsewhere would provide twice the tax space, which incidentally is exactly what the medical centre requires. By reducing taxes to a more competitive level, you

would not only bring more relief to the Kingston General Hospital by allowing the Seeley's Bay Medical Centre to grow but would also attract commercial and industrial interests to our area, providing more taxes and employment and reducing government assistance.

0950

I have provided newspaper articles from the Toronto Star and the Kingston Whig-Standard, along with a photo emphasizing client use of the medical centre, which expresses a larger space requirement, for your information.

In addition, I'd like to comment on a Kingston Whig article dated February 5, 2000.

Approximately 64% of our tax dollars goes to education, while Ontario's school teachers are among the highest paid in North America. The Ontario teachers' pension plan board has shrewdly invested their money into business and real estate, realizing millions, if not billions, of dollars. Last year they purchased the Toronto Eaton Centre and this year, with partners, purchased Shoppers Drug Mart for \$2.55 billion. Government could take advantage of this fact by taking the tax dollars paid by the teachers and their pension plan towards reducing the high education tax load.

Just as some personal information, I moved my business to Markham because of low taxes. It was a village of 6,000 people. Today, it has upwards of 200,000 people and low taxes. I still have a business in Markham, but I came here to semi-retire. I was asked to serve on the search committee for a doctor, and that's how the Seeley's Bay Centre came about. Low or competitive business taxes start things rolling. I know, I've been there. Thank you.

The Chair: Thank you very much. We have two minutes per caucus. I'll start with the government side.

Mr Galt: Thank you for your presentation. There have been some difficulties with actual value assessment as we've moved into it. It's something that's been talked about for two or three decades. Various governments had talked about bringing it in, and we finally did in our first term. The philosophy is right, but there have been a few stumbling blocks. Obviously you've run into one of those.

I'm curious. The local assessment office must be telling you what the local comparators are. You're going from elsewhere, where you'd think the comparators would be much higher. Are there other properties in the Seeley's Bay area, that they're saying this is why your assessment is at this level?

Mr Drynan: I'm not comparing it with what's in the immediate area. I'm comparing it with what it is in Markham and—

Mr Galt: The actual tax levels are what you have compared?

Mr Drynan: Yes. I've received my taxes and paid my taxes in Seeley's Bay. I also have paid my taxes in Markham.

Mr Galt: Maybe I wasn't totally clear. The problem isn't assessment then, as you see it. The problem is the

local tax base, compared with other areas and their tax base.

Mr Drynan: That's right. The way to make it competitive is, we should all be down lower. We should not have to pay twice the taxes in Seeley's Bay, in a rural area that doesn't have the amenities of a city.

Mr Galt: Maybe we can explore that for a few minutes. You made reference to education and the cost and what's going there. Fifty per cent of the residential education is now being paid by the province. Is that the main reason your taxes on this property are so high, because of education?

Mr Drynan: I just point that out as we're paying taxes for education at the rate of about 64%. I think that's quite high. They might pay the same thing in Markham. The whole tax structure is too high; it's twice as high.

Mr Gerretsen: Thank you very much. I'm familiar with your plaza in Seeley's Bay. It certainly looks like a very well-run and organized plaza. As a matter of fact, it's the only plaza probably within about 30 or 40 kilometres, I would think, any which way.

The question that I have is, are you also concerned about the fact that for the same space in a plaza, some businesses are being, on a square-footage basis, charged more than other kinds of business? Why is the LCBO, for example, paying \$1.77 a square foot in taxes and the medical centre \$2.01? What kind of answer do you get from the assessment people when you raise that issue?

Mr Drynan: It's something I have no power over. They decide that they've spent more money on their amenities, and I—

Mr Gerretsen: No, but did they give you a reason? Did they say why one is more than the other?

Mr Drynan: No.

Mr Gerretsen: Is it under appeal right now?

Mr Drynan: It's under appeal.

Mr Gerretsen: I see. Thank you.

Mr Phillips: Just to pursue the question that Mr Galt was raising, in Markham your property is assessed at a certain value and in Seeley's Bay your property is assessed at a certain value. Are you saying that the value per square foot in Seeley's Bay that you're assessed at is substantially higher than the value per square foot that you're assessed at for a comparable building in Markham?

Mr Drynan: I'm saying that my taxes per square foot are twice the price. It's \$1 a square foot in Markham; it's \$2 in Seeley's Bay. If you read the articles that I've added with my resumé, they show how important it is for a township or a village or whatever to bring their taxes down to be competitive if we want to bring people here, and that's my aim. My aim was to help the doctors, and they're doing well. In fact, we're running out of space and it's hard for them. They don't make the money that it's said they make.

The Chair: Thank you very much, Mr Phillips. Mr Christopherson.

Mr Christopherson: Thank you for your presentation. When Mr Galt talks about the fact that they brought

in their property tax reform legislation, I'm sure you'd be interested to know that they liked doing it so much they introduced six more subsequent bills, which actually were necessary to correct the problems in the first bill, and then continued to bring in bills to correct follow-up problems that were created with the subsequent bills that came after the initial bill. All of this the government was told was going to happen because they rushed it through, so it's not surprising that virtually every day of these hearings we hear of some business person who, quite frankly, is still getting shafted by what the government has done.

I'm from Hamilton and I have two major commercial sectors: the downtown of Hamilton proper and Westdale, if you know Hamilton. That's in the west end of the city. Both those small business communities finally were going to get a little bit of fairness out of this because finally they would have been charged based on what the value of their property was and that would have made them more competitive. Then the government brought in the cap and totally screwed it up and we're still losing business. In fact, the rate of business leaving has increased rather than decreased.

So I can just tell you that your problems are not shared by you alone, that we have these concerns in all the commercial areas of all our communities right across Ontario. It's interesting as we travel, because when I'm in a town, the small businesses talk to me about being competitive, and then I go into the neighbouring towns and they talk about being competitive. Of course, everybody wants to compete with each other, and at the end of the day all everybody wants is fairness, some kind of system that makes sense.

When a government has to bring in six bills after an initial bill to keep correcting all the mistakes they've made along the way, I don't see how anyone can believe they are benefiting the interests of competitiveness and fairness for small business people right across the province.

I appreciate your coming forward.

The Vice-Chair (Mr Doug Galt): Thank you very much. Your time has run out. Thank you, Mr Drynan, for coming forward and presenting to us this morning.

Mr Drynan: I got off easy. Thank you very much.

1000

BROCKVILLE AND DISTRICT LABOUR COUNCIL

The Vice-Chair: I will now call our next witness forward, Mr Jim Murray from the Brockville and District Labour Council. Mr Murray, representing an organization, you have a half an hour for presentation and then the remaining time will be divided up among the three caucuses for comment and/or questions. Please state your name and away you go.

Mr Jim Murray: Thank you very much. My name is Jim Murray. I am vice-president of the Brockville and District Labour Council, which I am representing this

morning. I am also a member of OPSEU, local 439, at the Brockville Psychiatric Hospital—so it would be the Royal Ottawa hospital, I guess—where I work as a psychometrist.

Since I think all of you are from out of town, I'd like to begin by giving you a little bit of a tour of our town, Brockville. As you come into the city, if you come in from the west, the first thing you'll see is a major plant called Phillips Cables, which is now closed, which formerly employed 600 workers. Mr Runciman assured the community that lots of great things would be happening there. So far, a few small operations are in that facility, but it's pretty much empty.

As you continue on your tour into the town you'll go through our main street, which is not a big main street. It's probably six blocks, if you live in a city. Yesterday, I drove through there and counted over 24 vacant stores in the downtown core. That's a pretty high percentage when you consider the total number that we have in downtown Brockville.

If you go north and up about a block, you'll find a building which formerly housed the VON, where they had a big banner which proudly said, "Serving the community" for some 50 years. Well, the VON is no longer in business because this government decided that the homecare business, the not-for-profit business like the VON or the Red Cross, that someone had to make a profit on that, and so the VON is now out of there and not in the homecare business, along with the Red Cross and other not-for-profit organizations that we used to depend on, because I guess that's what the government thought we wanted them to do.

You can swing now back along King Street and drive west through the main street. On your left you'll see the former Fulford Home, which was a long-term-care facility, which is now closed. The funding formula is the reason that's given. Really, I guess that means the government has decided to make the operators operate with too few dollars to run that facility, so it's now closed.

If you proceed a little further, on the right-hand side you'll see St Lawrence Lodge, which is the municipally funded home for the aged. Now, St Lawrence Lodge is in a lot of trouble these days because under the new funding formula and by the edict of this government, they have been told they can't expand that facility. They need more beds. They can't expand on that property. I know this firsthand because my mother, before she passed away, was a resident of that facility. I, the caregiver for my mother, received a letter: "Oh, by the way, St Lawrence Lodge cannot expand. It cannot be renovated. It must be replaced. We must raise money to replace it." Even though it was a municipally funded facility, as I said, which my mother and other people in the community helped to build, they were run out of business. They are going to be replaced for, again, business-operated homes for the aged where you can get in if you have the money, I suppose.

On the left of St Lawrence Lodge you'll see Brockville Psychiatric Hospital where I work, at least for

now. That's a place where the restructuring commission came in—actually they didn't come in, they didn't even set foot on the property, but they ordered it closed. Duncan Sinclair was the man, I think, responsible for that. Right now it's in total disarray. The Royal Ottawa is supposedly taking over. Nobody really is sure why, or how this is going to work out, but that's what's happening there.

I should say that before you get to the hospital there is another building which I forgot, another Ontario government building which formerly housed the MNR, the natural resources people. We of course are gone, because this government decided we don't need people to go out and look after our natural resources, that we don't need people to police our parks and so on. We can hire it out to anybody with a badge who wants to work for \$6.85 an hour or whatever these private security firms do. That's what has happened in that building.

If you go a little further north, you'll see St Lawrence College, a community college which we're all very proud of, which this government has managed to turn into a former shell of what it was. A number of the programs that were there are now abandoned. They've been sent out to the Kingston or Cornwall campus. We hear now that one of them may return. People have been really fighting to keep that place open. I am sure it was the mission of the former administration to have that place closed and out of there. They really would like private trainers to be able to come in and do the job that Canadian colleges have done. So that's St Lawrence College.

If you go further west now, you'll see the former Black and Decker plant, which is closed, of course, which was another giant loss to our community.

This government has told us that the economy is booming. I say to them, for whom? Not for people in Brockville; I don't even think for people in Toronto or any city in Ontario. It's booming for the people at the top end of the scale because, if you look at the profits, look at the CEO earnings, look at the stock market, of course it's booming. It's certainly not booming for any workers in Ontario.

There are a couple of industries that have expanded in Brockville. We now have I think four pawnshops. The food bank can't keep up with demand. In fact, they've expanded to a Loaves and Fishes operation, which is a restaurant-soup kitchen, and God love them for doing that. These people are really trying to make a difference in the community, a job which really should be done by the government. I don't know why, in a province that produces more wealth than any other, more and more people have to go to a food bank in order to survive, but that's the reality. That's the reality of Brockville.

When we look at what this government does, and the budget impacts everything they do, people would ask, "Why has this government abandoned so many workers?" I'm one of those, as are the people at MNR and anyone in the public service. I guess the short answer is that privatization is the key to our fortunes, or so we're told.

Mike Harris and his followers think, and I remember Dave Johnson saying: "Oh yes, we have to get more bang for our buck. We can get services cheaper, better, faster," whatever. That is the big lie that we're being told. When you extract a profit margin, it can't be cheaper. We don't think—those of us who are working people are people who used to trust our government—that you need to make a profit on sick people. We don't think you have to make a profit on the elderly. We don't think you have to make a profit on students, our children, our education. But this government thinks that. This government thinks that the only thing that's worthwhile is to make a profit wherever possible. This government has abandoned its responsibility as a government and really has become a weak appendage of big business. When Mike Harris said that Ontario was open for business, he forgot to tell you that it's closed to people, and he forgot to say: "Not open for business generally; open for big business." As we just heard from the gentleman earlier, small business operators, people trying to strive, are not getting a break from this government.

1010

If you believe that privatization is the ultimate goal, what do you have to do? As a famous man, John Snobelen—everybody remembers him—once said, and I think he misspoke, "What we have to do is create a crisis in education and then go about solving it." I think he really let out, misspoke, what the true aim of the government is: We create a crisis in every situation where we have publicly funded institutions, not only in education. If you want to make something look bad—and I know because I work in one of those facilities—and you control the funding to that facility, it's very easy to cut the funding, make that institution look bad and then say: "Gee, this is so terrible, we have to close it. We have to find an alternative." The great example is in education. People are saying, and I hear it in the media all the time: "The public schools are so bad, the public colleges and universities are so bad, we have to do something. We have to open them up to private trainers. Boy, we could really do great things if we operated under the same principles they do in the United States." In the United States, people send their kids to private schools. They're afraid to send them to public schools because they have gotten that bad. Well, this government wants our schools to get that bad, very simply.

Health care: Ralph Klein, Mike Harris's idol, is going on and on about how we should make health care more flexible, open it up to private enterprise and concerns. What he's really saying is, "Let's let rich folks jump to the head of the line and get their health care, and if nobody else gets it, that's too bad." Of course the model again is the United States, but what they don't tell you is that 40 million people in the United States have no health care at all; they have no insurance. People in Ontario right now are feeling the crunch because this government wants to open up health care to private concerns. Health care is in crisis, just as education is. It's a created crisis.

When it comes to the aged, the saying is, and this comes from the US and it's a terrible statement: "It's

mining grey gold. There is money to be made on the backs of old people." This is a government that we should respect? I don't think so.

Again and again we hear of public institutions that really have to be done away with. We hear about the "old Ontario Hydro—so bad." Yet, when we look at what happens in privately run operations, people don't want to hear things like Three Mile Island, what happened in Japan recently with those nuclear waste buckets. Yet Mike Harris is saying, "Fine, let's privatize Ontario Hydro." Ontario Hydro, which has a track record that's probably unmatched in the world as far as safety, now has become the "old Ontario Hydro." In communities across the province, as a result—one little bit of our tour that I forgot to mention was the PUC, the Brockville public utilities. There is such a cash crunch now that while the foundations are being laid, the population is being fed bits and bits of information from the propaganda network of this government to tell us how bad the public utilities are, how far they're in debt. Yet it's this very government that is putting them in debt. They wouldn't let them bail themselves out even though they had a reserve fund. Now we're seeing increased costs, and my question is, when private concerns take over public utilities, who is going to pay the 30% tax that private businesses pay for electrical services? Of course it's going to be the people. It's not going to be the corporation.

The second question is, why is there such a need to make a profit on something that we need to live in this country, especially this time of year? Do we need people to make a profit so that people can stay warm? We see what happened in Britain, where they went the whole nine yards and in fact privatized water. Judging from the track record of this government, that'll probably be next here. Maybe air will be after that. You see, everything has to be taxed; everything has to make a profit.

How have the policies of this government impacted on this community? I'd just like to give you a couple of real-life stories. One is a lady who has a deaf daughter who has now lost the supports that she needs to attend school because the funding formula changed. It's all being blamed on the school board, but we know that it goes directly back to the government's budget. Another lady I know, who was a welfare recipient, was encouraged—actually forced, I suppose you could say—to be involved in the Ontario Works project. She was given a placement—not a job, a placement—and subsequently talked into taking a course from a private trainer and now has no job but also an OSAP loan to repay. I would like to know how many jobs Ontario Works/workfare has created. I don't know of any. We know of all the placements—tons of placements—but no jobs.

I'd like to talk a little bit about the tax cut. This government is telling us that tax cuts create jobs. I would like someone from the government to tell me what hard data they have to prove that the tax cut has created a single job in Ontario. I haven't seen any data. In fact, this regressive tax only goes to the people at the top end. When

you give a tax cut to someone rich, Mike Harris thinks that's a great idea. It's going to trickle all down. Well, I don't like being trickled on; in fact, I haven't been. It didn't work for Ronald Reagan, didn't work for Margaret Thatcher, and it's not working in Ontario for the people. It is working for Mr Harris and his friends.

I think it's best exemplified by the Premier himself. If you give a tax cut to someone at the low end, they spend it immediately. If they need food, if they need clothes, if their kids need things, it goes immediately back to the economy. That's not the route that this government has chosen, because there is very little in the way of a tax cut for people at the low or middle end. All of the tax cut benefits the people at the top.

Our illustrious Premier I think best illustrates what happens when you get a tax cut. Over the Christmas vacation, what did Mike Harris do, supposedly with his tax cut? He went to Florida. How did that benefit the people of Ontario? It really didn't, as I can see. The other thing is, he was supposed to be in North Bay. I don't know what happened there. He told everyone he was in North Bay. I don't know why he would tell us he was in North Bay when he was in Florida. I suppose he has his reasons. Maybe somebody here could tell me that; I don't know.

Yesterday a friend of mine in the construction industry handed me a publication put out by the Council of Ontario Construction Associations. This is new; he just got this in the mail. This is an example of what the Harris government is doing to workers in this province. I'm going to read from this:

"Major contractor groups are going to the Harris government asking to change the labour laws in Ontario. They want to delete section 1(4) of the Labour Relations Act so they can spin off non-union companies that operate outside the union agreement. This has been against the law in Ontario for decades but these contractors want that changed. They want the flexibility to walk away from union rates and conditions. They may still keep a union operation in case they need skilled workers from the hiring hall for big industrial jobs, but most of their work will be shifted to the non-union side where they will set whatever wages they want."

1020

Mike Harris has bought into this plan. He wants to change an agreement that has worked with labour for years in Ontario. I suppose he feels that people who work in construction don't deserve the money they earn. I think if that's the case, he should probably go out and work alongside someone in construction for a couple of days. Compared to trotting around a golf course, he might find it a little different.

Just another little quick note around the health care issue. These are not the words of myself; this is from Maclean's magazine, January 17. It compares all the provinces in terms of the number of seniors' long-term-care beds and home care beds.

If we look at home care, this government has recently cut the maximum to 60 hours a month. If anybody here

has had a sick relative, as I have, or knows someone who is chronically ill, 60 hours a month just doesn't cut it. What is that a week? What is that a day? A little over an hour a day for someone who probably needs to be in hospital but can't. So the long-term care has been cut to 60 hours in Ontario.

If you compare Ontario to, say, New Brunswick, and we're looking at home care, the waiting list in New Brunswick for home care is about 83 people. The waiting list in Quebec for home care—there is no waiting list. The waiting list in Manitoba for home care is nothing. There is no waiting list, and they provide 32,000 people a year with home care. Their maximum hours are unlimited.

In Ontario the waiting list for home care is 11,000 people. People are dying, suffering immeasurably, as a result of the policies of this government. If you don't believe me, talk to someone who has had a sick relative recently, and if you don't do that, your time will come and you'll find out. This is absolutely disgraceful. We're the province that's producing more wealth than any other, yet here we are taking it out on the backs of the most vulnerable, the weakest, the oldest people in the province. This is absolutely shameful.

While we're on the subject of budgets, I'd like to draw your attention to the fact that this government has continually ignored what was probably the most telling event of this government's tenure, and that was the shooting of Dudley George at Ipperwash in 1995. It is estimated that the coalition for the public inquiry into Ipperwash has cost—and this is a conservative estimate—over \$4 million, to investigate and cover up what happened at Ipperwash in September 1995.

As a taxpayer and a citizen, I think our tax money would be better spent uncovering the truth about what happened at Ipperwash than covering it up. I encourage the people sitting to my right to continue that struggle. When the United Nations tells Canada that there should be a full public inquiry into what happened at Ipperwash in the shooting of Dudley George, this government cannot continue to ignore it. Thank you.

The Chair: We have approximately one minute per caucus. Mr Phillips.

Mr Phillips: Let me assure you that I for one will not ever give up on the Ipperwash affair until we find out the truth of what happened there. I can guarantee you that.

It was a very good presentation, by the way, and I know from colleagues like Mr Gerresen the challenges of the economy in the Brockville area. It's hard to know where to begin, but to start, Ontario is now the most export-reliant jurisdiction in the world. When we started these hearings, the government said, "What is driving the Ontario economy is domestic spending." Since 1995, domestic spending is up \$20 billion and exports are up \$80 billion. Exports are driving the Ontario economy.

I have a suspicion that that is one of the challenges for Brockville. Exports are tending to go to New York state through Buffalo and to Michigan through Detroit-Port Huron. The challenge we are going to run into, and

we've seen this at the hearings, is that exporters say we have to harmonize our taxes with the US. So we are going to see enormous pressure to harmonize taxes with the US. Then everybody needs to harmonize services with the US, or lower services, because our productivity per capita in Ontario is lower than in the US. Therefore, in my opinion, if we don't figure out how to manage this, we are heading towards undermining the primary thing we do with our taxes, and that is our health care system. That is the number one area we spend our tax dollars on for ourselves.

I don't whether the Brockville Labour Council has had an opportunity to look at the impact of the trends in exports to your economy. I know that was not central to your theme, but we don't have the chamber of commerce speaking to us today, and I think the economic group has cancelled its presentation. So we do not have a chance to talk to the business community about the effects.

The Chair: Do you have a question, Mr Phillips?

Mr Phillips: Have you had a chance to look at the impact of exports on your businesses here?

Mr Murray: Certainly that has been a problem with companies. Another plant, Newell, has just closed in Prescott—90 years in Prescott—bought by Rubbermaid and moved to Freeport, Illinois, I believe. Rather than keep the company open to produce for the local market, they just decided to draw back and save jobs in the US; the same with Black and Decker.

We don't have a domestic market. I think Brockville is no different than anywhere else. When you had to produce in Canada to sell in Canada, we had a domestic market. With free trade and NAFTA, that is no longer the case. So unless somehow, some way, government recaptures what we had in some fashion, we're continually going to compete with Mexico and Third World countries for these jobs.

Mr Christopherson: Thank you, Jim. I don't know if you were here at the opening of the hearings this morning, but right off the bat we heard from Mr Bickerton, a general insurance broker in Gananoque. His presentation was basically singing the praises of this government. So it was good to have you come in and talk about the other part of Ontario that exists out there.

Let me just read you a couple of quotes from his presentation. I wouldn't mind your thoughts, particularly as the last one relates directly to health care. He did start out by saying, "I would like to compliment the government on its accomplishments since the beginning of its first term in office just over four years ago." He went on to say: "To any naysayers out there"—and I suspect that might be you and me, Jim—"who have felt they were disadvantaged by the cuts that were made, I say that we had all become too used to having government throw money at our every request. This includes education and health care, as well as many other departments. It was high time for us to accept a dose of reality and stop feeling sorry for ourselves." He also said, "I think that all citizens expressing concern now about health care truly understand that you did what you had to do."

Well, Jim, do you understand and believe the government did what they had to do in terms of what they've done in health and education?

Mr Murray: No. I think they threw money all right, but they threw money back at their friends and themselves, because of course they don't have to worry about health care. When someone with a fair amount of money becomes ill, they can get whatever they want to save their life—have a heart transplant. If you're a working person in Ontario and you're at the back of the line, you simply may not get it in time. People are literally dying on waiting lists. To make that statement is absolutely misguided.

The Chair: Thank you very much. Government side.

Mr Christopherson: We will also continue to fight for an inquest into the Dudley George affair.

Mrs Tina R. Molinari (Thornhill): Thank you, Mr Murray, for your presentation this morning. I want to assure that this government truly cares about all the people of Ontario. The difference is that we've had the courage to make the difficult decisions needed in order to provide for long-term care.

You talked about some of the decisions with respect to health care. For a long time it was stated that health care was not in the position to provide for all of the services needed and changes needed to be made. This government recognized the aging population, and as a result introduced and made available more long-term-care beds to provide for the aging population.

You also talked about the tax cuts going to the wealthy. Well, more than 90% of Ontario taxpayers experienced a 30% tax cut, and those who earn \$60,000 or less got more than 30% of the tax cut. So if your idea is that 90% of the people of Ontario are the richest, then I think we have a province that is quite fruitful.

You talked about some personal experiences with people in health care. Let me tell you about a personal experience of a very close friend of mine whose father was very ill. She told me that because of the change in the drug formulary and the fact that we introduced more drugs that were able to be accessed through insurance plans and through other sources, they were able to better afford those drugs that they hadn't been able to afford before. So I have to take issue with some of the comments that you've made.

With respect to funding for education and health, it's ever-evolving. No plan is perfect. What we're doing is trying to make it better, and hopefully, as we move towards the future ideas that come through, that will help make it even better and improve it. Certainly as the government we're open to listening to a number of constructive ideas on how we can improve all of the services that are presently in place for the future. So I want to assure you that definitely these hearings are a way for us to be listening to the people, of improving what we already have in place and moving forward for all the people of Ontario.

The Chair: With that, we've run out of time. On behalf of the committee, thank you very much for your presentation this morning.

Due to the road conditions, our next presenter, the mayor of Gananoque, had to turn back. I don't know whether she'll be able to make it later. We're going to be in the building. If she shows up we'll try to get in touch.

Mr Phillips: That can't be so.

Mr Christopherson: Not enough funding to plow the roads?

The Chair: If you recall this morning when you woke up, unless you woke up late, the roads were pretty good, and if you have a look outside right now, I'm sure it would be very difficult for anybody, under any conditions probably, to have them in good condition. The 11 o'clock presenter has also cancelled, so we'll recess until 11:30, unless the mayor shows up.

The committee recessed from 1035 to 1130.

ELEMENTARY TEACHERS' FEDERATION OF ONTARIO, UPPER CANADA LOCAL

The Chair: The next presenter is a representative from the Elementary Teachers' Federation of Canada, Upper Canada Local—and I don't have the number. If you could please step forward and state your name for the record.

Mr Randy Frith: My name is Randy Frith. I'm president of the Elementary Teachers' Federation of Canada, Upper Canada Local.

The Chair: Okay, so Upper Canada Local. Thank you very much. On behalf of the committee, welcome. You have 30 minutes for your presentation this morning.

Mr Frith: Welcome to sunny Brockville. I gather most of you were in Timmins yesterday. We've avoided most of the snow so far this year, but it's here.

Mr Chairperson and members of the standing committee, thank you for the opportunity to make this presentation. My name, as I mentioned earlier, is Randy Frith. I'm the president of the elementary teachers' federation here in Upper Canada. Our local represents approximately 1,300 elementary school teachers and another approximately 400 occasional teachers. As you'll see, and I know you've got copies that have been distributed, the form of our presentation will be as follows: We'll give you an overview—and some of you will know this better than others, but we'll give you an overview of the Upper Canada District School Board, with the emphasis on the sheer size of our geography; an explanation of the distinct cultural differences in this board; a clarification of some of the program differences that we had when this board was amalgamated; and some of the program differences that still continue. Then we'll take a look at some of the specific challenges, as we see them as teachers on behalf of our students, and their impact here in Upper Canada. Last, we'll conclude with some recommendations that would enable us as teachers to do a better job and thus meet the needs of our students here in Upper Canada, not just now but, as I mentioned, for the future.

The Upper Canada District School Board is an amalgamation of four former boards: Lanark to the north;

Leeds and Grenville, where you are presently; Stormont, Dundas and Glengarry; and Prescott-Russell. We are one of two boards in the province that were such a combination of four. In the public domain we are basically eastern Ontario, with the exception of Ottawa-Carleton. We have 110 elementary and secondary schools that stretch from just east of Kingston to the Quebec border. To put that in context, when I visit schools to the east of us, I often stay at my daughter's house, who lives in Beaconsfield. It's a lot closer than doing the drive home. So it's large. We stretch to Pakenham and Almonte in the north and basically circle Ottawa, as I said. We have one main board office. If you wanted to go for a good walk, it's about a block away to the east here. It's located in Brockville, as I said, with three regional education centres which have evolved. These must service approximately 25,000 elementary students, 14,000 secondary students and close to 4,000 staff. Our 1999-2000 budget is \$244.5 million.

Geography, especially with amalgamation, is often our number one concern here in Upper Canada. Nothing is planned without factoring in the vast distances. I see that on your program you had a couple cancel out earlier because of the weather and the geography. Just as I left my office this morning, I cancelled the meeting for this afternoon because teachers would have had to commute a couple of hours. So we have to factor these in. We cover an area of 12,000 square kilometres. To put that in perspective, you could fit 13 Toronto district school boards into our area and have some space left over.

I know, at least I've certainly heard this through the funding, that we're described as a rural board—we are a rural board is what I'm saying. We're described otherwise. There are only two cities within our boundaries, Cornwall and Brockville. In the elementary panel there are 73 rural and 13 urban schools following that description. The government funding didn't provide additional funding to recognize our rural nature and chose to deem us urban. They based that on our proximity to Ottawa-Carleton. They are about an hour or an hour and 10 minutes to the north. However, Limestone, our neighbour to the west, with a much larger city, Kingston, approaching 100,000 people, is deemed to be rural.

Being rural and having substantial distances between our schools leads us to have many small schools. We have 16 schools with enrolments of under 150 pupils, 10 having less than 125 pupils. We have numerous schools with split grading and the potential for triple grading. Combined grades, as you're aware, if you've heard other elementary presentations, certainly aren't new. But their number in Upper Canada is increasing dramatically. Splitting grades seems to be the only way to organize classes to fit the fewer number of teachers we have. Classrooms with combined grades were always a challenging environment for any teacher. Now it resembles Mission Impossible. It has become much more challenging. The new elementary curriculum requires material to be covered in specific grades. The curriculum is tied to defined outcomes, and it's just not possible to teach everything and everyone. The result is that students get

less time and individual attention from their teachers. Parents are worried about the impact on their children's province-wide test results. Our students deserve classroom resources that meet their needs. They deserve adequate time and attention to learn.

With amalgamation—I must admit, even though I've taught in this area for a long time, I learned this with our four former boards coming in—came the realization of the unique cultural and program differences within our four former boards. The most distinct and diverse was French as a second language. Upper Canada, particularly the areas covered by the former Prescott-Russell and Stormont, Dundas and Glengarry to the east, recognized its large French-speaking population by providing programs that met their needs. During the past two years, the Upper Canada board made decisions resulting in greater accessibility to French immersion programs and still maintained a degree of local flexibility in determining the amount of core and extended French appropriate to the needs of local communities. Within Upper Canada, just to give you an example of the range, core and extended programs are offered within the following parameters: grades 7 and 8 within our board go anywhere from 40 to 75 minutes a day; grades 4 to 6, 40 to 75 minutes a day; grades 1 to 3, 20 to 75 minutes a day; and kindergarten, up to 40 minutes a day.

Allowing for these site-based decisions in local communities within these set time parameters appears to be serving the needs of our school communities, but obviously it comes with a cost. The ministry acknowledges only those core and extended programs offered in grades 4 to 8 in its curriculum and funding policies. Therefore, the costs to maintain these programs from kindergarten to grade 3 must come from somewhere else. The government needs to acknowledge the need for funding in our region in particular—and I'm sure there are others with a large French population—to provide this primary French-as-a-second-language program.

In our former boards, local priorities in the delivery of programs were addressed. Design and technology—what some of us used to know when I went to school as family studies and industrial arts—were emphasized, particularly in both Lanark and Stormont, Dundas and Glengarry. Delegations from local school councils appear regularly in lobbying the board to maintain these worthwhile programs. In fact, I sat on an education and policy meeting last week where there were three delegations trying to save those programs and legitimately recognizing the needs and the benefits they've offered in their community for quite a period of time. The decision on those programs, by the way, even though they still exist in places, is to be decided in the next couple of weeks and will be forthcoming. Continuing these programs, however, means taking money from other parts of the classroom allocation.

Library was a very high priority in all of our former boards. One of the things in my job when I took over two years ago after amalgamation was the opportunity to visit all 93 of our elementary work sites. I was very impressed

by the quality of our library facilities out there. Some schools obviously were better than others, some that were newer, but they were all very worthwhile and well-used facilities. Because of cuts many of these excellent resources sit vacant or darkened during the school day. To maintain these programs, staff must also come from the classroom allocation, which increases class size.

1140

The ministry's model funds pupil spaces—maintenance, renovation and new pupil spaces—at a lower level for elementary students than for secondary. This limitation, in my opinion and that of others, is arbitrary and unrealistic. Young students need as much space as older children, especially in a time of child-centred learning.

This September in Upper Canada we are closing three elementary schools. There are numerous others that are targeted for the future. When a school closes there is great loss, both to the students and the community. It can mean loss of programs and an increase in class size in the receiving school. Often, to accommodate the influx of these new students, the receiving school must convert science facilities, music, design and technology or special education resource rooms over to regular classrooms.

We are facing challenges here in Upper Canada. Staffing: The major challenge, certainly in my job and I think with the people in senior administration in the board over the last while, is trying to maintain the level of quality that we had here in Upper Canada and variety in the programs that are offered. This is what I mentioned earlier was being asked by the parents. We lost 60 elementary teaching staff for the 1999-2000 school year. It severely impeded our ability to meet this challenge of offering those programs. Another 20 staff were lost due to declining enrolment. And we have had declining enrolment, but it's like anything else. The long-range projections seem to level off and in fact may increase by the year 2003. Since September 1997, in our board, Upper Canada district—and now we're comparing figures from the last year of when we were four former boards to 1999, last fall—the complement of elementary teachers has been reduced by roughly 300 full-time equivalents—a pretty drastic drop.

What specifically was removed, as we're finding out as it has evolved, was the program factor. It may not be terminology you're familiar with, but it was the way we staffed the first two years as a board. By allocating staff at the 25-to-1 ratio and using preparation time to provide French, only the basic program needs of the elementary students are being addressed. This formula does not provide the flexibility or the teaching staff to offer programs that were once considered essential.

Valuable programs, some of which I've mentioned before—music, instrumental and vocal, design and tech, library, computer studies, reading recovery, junior kindergarten—were reduced or have been eliminated. Individual schools, under pressure from parent groups and staff themselves, have made tough decisions to maintain some of these programs. But this has been at the expense of the classroom allotment. You increase class size or

you go to split grading to provide these, to free staff up to do some of these important programs. It's a dilemma where nobody wins. The problem is exacerbated in many of our small schools, and that really is an issue in this board. We just don't have the flexibility to offer some of these with fewer teachers, and that was true long before amalgamation, by the way. In the past, at least I know in my experience—and I come from Leeds and Grenville—the board could and would adapt and add additional staff to avoid triple grading, which nobody wants to see. But the flexibility isn't there and the money isn't there to the same degree. Contrary to what we heard in the last election, our class sizes are up, and as a result, elementary students in Upper Canada must suffer from the loss of valuable programs and teachers.

According to the data collected in the elementary teachers' federation's response to the EIC's second interim report, the elementary PTR in Upper Canada between 1997 and 1999 has increased by 3.37. That is the greatest increase of any board in the province. Research on class size overwhelmingly points to the importance of small classes, especially in the child's early years. The Upper Canada board allocated staff at a 22-to-1 ratio this year in the primary grades for 1999-2000. They should be commended for that. But as you'll see, because the funding is based on a 25-to-1 ratio, this meant that junior and intermediate classes became larger. So there's a set-off. There are numerous classes within our system—and we survey our members every year to get this data, and the board provides us with the data—that have 30 or more students, often in split-grade settings.

Special education: In the third interim report the EIC confirmed what parents, school boards and teachers have known for years. Programs for those students with special needs are dangerously underfunded. The impact is that identifications are slower, students are left on waiting lists for placements or programs, and schools and staff are asked to prioritize special-needs students. Because of the lack of funds, the reality is that only the most needy get the attention they deserve. The funding to augment the shortfall must come from other areas and, again, other programs are reduced.

I think it was in the announcement recently where the \$40 million was added. It was pointed out that the schools have been spending upwards of \$100 million plus in trying to maintain these programs above and beyond what the funding provides. But, of course, it comes from somewhere else.

The nature of accessing these funds, though, whether through the ISA or SEPA grants, forces staff to spend a much greater amount of time to complete the paperwork necessary. This increased workload greatly lessens the time that SERT, special education resource teachers, can work with individual children. Programs, such as reading recovery, which identify and assist children at the earliest age, should be expanded, not eliminated. The special education grants are for one year only, so we have to go through this process of applying for the grants again. It's very difficult to sustain any kind of continuity.

To an elementary teacher, the frustration of receiving one or more of these special-needs students in the middle of the school year is agonizing. I want to explain that. It's not because we don't want to receive those students, it's just the perception of teachers. If they come in the middle of the year, especially if they come from outside the board, the funding doesn't move on until you reapply the next year for the grants. So you have to deal with these special-needs students but you don't have the assistance and resources to do it. Providing essential programs for students with special needs has become much more difficult and, in many cases, almost impossible.

Recent announcements, which I mentioned, of increased funding will provide temporary relief but my understanding is that it's just for one year. If we compare the pre-Bill 160 funding for special education and the current levels, it indicates that programs for students with special needs are seriously jeopardized. The funding shortfall must be taken from the classroom component or services cut.

It's very difficult. I sat in an elementary staff meeting last week with the superintendent responsible for special ed. He has sites within our board where I would say close to one third plus of the students are identified. The funding model just doesn't accommodate all of those needs. It really is a difficult issue with special ed. It's a difficult issue and it has been for years—I won't deny that—but it's becoming even more difficult.

Until we get the grants and the grants are passed on—the applications aren't finalized until late in the year—it makes it really difficult to establish programs for the next year. Once more, if you don't—you've got to address these funding needs—the funding shortfall comes from the classroom component or other services have to be cut.

Learning problems and exceptionalities must be identified and addressed as early as possible. We all recognize that. The later the intervention, the more costly and less effective becomes the remediation. The belief that teachers can do more with less is wrong.

Early years: Before the new funding model was initiated, there was considerable support directed to the primary grades and I think many of you will remember this. However, student-focused funding took grant money away from the early learners and replaced it with the early learning grant. This grant was to be used to enhance kindergarten to grade 3. In Upper Canada, we made the difficult but I believe correct—and I think teachers did too and staff—decision to maintain the junior kindergarten classes. As a board and as teachers, we understand the need to give four-year-olds the opportunity for an education. Only at the primary level, where our students are the most vulnerable and would benefit the most from smaller classes, enhanced programs and greater resources, do we have to make this kind of choice, one against the other.

Transportation: I'll just briefly comment on that once more, because of the geography. The challenge in transportation in a lot of ways has been to save money and to

continue to provide the service. We have a great—and I didn't put it in here and I wouldn't be leading you astray. We've done a lot of co-operative work with this board for the last few years and they have an excellent—it's sort of an amalgamation, one board—joint transportation consortium and it works. But there are still some things that are concerns.

The savings in some of these areas have come at the expense of students and I wouldn't say staff—that's a poor choice of words in my presentation; most of them aren't walking—with longer walking distances, staggered school hours, full day/alternate day kindergarten and many more hours on the bus for the kids. School closures, especially in our rural settings, will only add to this problem.

Professional development: The greatest challenge for teachers in the past two years has not been amalgamation. Teachers get on with life and deal with kids every day. It's been the arrival of the new curriculum for nine subject areas and new standardized electronic report cards.

With the cuts in professional activity days from nine to four and the reduction of preparation time by approximately 25% in our board, the challenge is how to implement all these changes without adequate training or funding for resources. There was no transition period. Teachers are expected to carry on doing their jobs while planning and preparing to implement the new curriculum at the same time. They are expected to scramble to find new resources and materials to support this new curriculum.

1150

I want to give you an example. The funding has gone down over the years but my wife and I—my wife is an elementary teacher, a grade 1 teacher, just west of here. She went in to talk to her principal because she's in a fortunate situation: She can retire at the end of the school year. She was just pointing out to the principal, "It depends on who comes in, but you're going to have to really put some money aside to address some resources and the needs of this classroom." The principal said, "Why?" and she said, "Because I've bought 80% of what's there and I'm planning on taking it with me"—not to take it away from the students, but she's promised it to a student who is graduating from a faculty of ed this year and is going to take it to another school.

We often thought of putting out a survey to our members to say, "What do you actually own that's in that classroom?" Most of them would say, "I'd leave it." I know they would say that, because it's the needs of the students. But a good percentage of what is there actually has been purchased by teachers.

The last-minute dash to provide these materials has not been successful. Many classrooms still do not have the materials required to implement the new curriculum.

Our teachers are reporting having spent up to 100 hours of their own time to prepare one class set of report cards. They do this three times a year. We have surveyed our members the last two years and their comments on reporting are very harsh and directed as to the amount of

time spent on reporting. For at least two weeks each term reporting takes over a teacher's life. I must admit I am fortunate in that I don't have to do them right now, but I have to listen to my wife, who is doing them for two weeks. She likes doing report cards; it's just so demanding with the electronic version. With additional time each night, it really takes away from people's families.

Classroom preparation and marking during the time when reports are being done is severely limited. Inadequate training—and these are the comments we hear back from teachers—short time lines, lack of access to computers, difficulties with software that has not been properly field tested, and constantly changing expectations are not acceptable. That's probably one of the most frustrating calls I get in that everybody knows you do reporting. That's a very important part of your job and parents expect it. We used to look forward to it. It's just that it's changing so rapidly that it's become a great challenge.

Just a couple of short comments on fundraising. It has always been a part of school life. However, over the past few years I know it has changed. It's changed quite dramatically. Schools must now fundraise for essentials: supplies, textbooks, field trips, sports and playground equipment. In the past, fundraising enhanced the program. The focus now is on the basic needs and requirements of the child. Now the funds go more directly to the classroom and subsidize the necessary resources. In less affluent communities, access to these essentials is less likely to occur.

Staff morale—and I will tie it to a budget presentation. The EIC report specifically recognized, and I think accurately recognized, the low morale of elementary teachers and staff in general in Upper Canada. The obvious causes are the increased workload and the fast-paced change in education. However, that's only part of the problem. Our members are deeply affected by the lack of recognition of the value of elementary students and themselves. The funding formula says clearly, and has for a long time, that an elementary student is worth less than a secondary student. When the nine years of new curricula were introduced without appropriate resources and support, elementary teachers were not provided with similar training to that which the Minister of Education ensured for one year of secondary curriculum change. A period of stabilization is really essential. Teachers can cope with change, they always have, but they need the resources to support that curriculum change.

They need the financial support for adequate professional development. They need to be reminded that the focus is on children, not on testing. They do not believe in teacher testing for the sake of accountability. There already are, in Upper Canada, effective models for evaluating teachers. Soon we will have one consistent supervision-for-growth policy. Teachers do not want to see further ministry money wasted in this area. Put those funds earmarked for testing back into the classroom where they will benefit children.

Two other issues also lead, I believe in Upper Canada and maybe around the province, to a low level of morale.

First, with reduced funding over the last few years we've evolved, here and maybe in other boards, to school-based occasional teacher budgets. That pot, that envelope that goes to the schools, is inadequate.

Teachers come to school sick because there is no money to replace them. Unintentionally, they are made to feel guilty by their administrators and their colleagues who are forced to cover their classes internally. Teachers of French, special education and library are often not replaced. The impression left with students, teachers and parents in these programs is that they are not as important. That's not right.

If a school's budget goes into the red, the deficit is taken from the next year's budget. Children are impacted by those kinds of decisions.

Elementary teachers need to see a real salary gain in their next round of negotiations. This acknowledgment of an increased compensation package is long overdue and in keeping with the improved economic climate. Boards recognize this need; they just don't have the funds to do it.

We, as elementary teachers in Upper Canada, are committed to quality education that fosters lifelong learning for all. All children are equal and have the right to reach their highest potential. That's our professional responsibility and the reason that we're all in the profession. These beliefs and this vision are framed by what we really want to accomplish and by what the ministry expects of us in the way of curriculum. To achieve this, we must handle a complex variety of challenges and deal with an endless number of restraints. Education is a shared responsibility, but the individual classroom teacher, who after the parent is the most crucial person in a child's pursuit of learning, has very little say in providing the resources and support that are necessary to accomplish this.

The government wants us to be proud of our education system; so too do the elementary teachers here in Upper Canada.

I would just conclude with a number of recommendations. Some you probably have seen before as you move around the province, but I just want to reiterate them.

We would like to see increased funding to reduce elementary class sizes, particularly in primary grades; real caps placed on elementary class sizes so we don't have 36 or 37 in certain rooms; the formula for funding elementary pupil spaces increased; preparation time for elementary teachers funded at a rate no lower than the 200-minute standard set out in Bill 160; the funding formula fully recognize increases in inflation and enrolment; the right to levy taxes for local education restored, and if it can't be—and I understand how that's a fundamental change—at least some funding given for program factors to address particular community needs; the ministry increase the funding targeted specifically for professional development to help elementary teachers implement the new curriculum and report cards; and, I think one of the most important, special education funding restructured and the grants enhanced.

I end there. Thank you for the opportunity. I certainly look forward to any questions or comments you may have.

The Chair: We have a very short time but we'll go for a minute for each caucus.

Mr Christopherson: Thank you very much for your presentation. Again, it offers up a view very much different from that of my right-wing poster boy of the day, Mr Bickerton, who thinks everything is wonderful because the bottom line numbers look good.

There are so many key issues you have raised. Let me tell you, I represent Hamilton West, and all the issues you've raised here save and except the geography are exactly the same as we have.

You did mention that special education is of particular concern. You state, "Programs for these students with special needs are dangerously underfunded." Very strong words for an educated person. Obviously you had reason to choose that particular word. Could you tell me why you used the word "dangerously" in relation to special needs and the lack of funding?

Mr Frith: Once more, I'm not that far removed from the classroom, even though I've done this job for a while. I do have, as I said, a spouse in the education field and I hear from colleagues all the time.

Special ed has got to be a priority. The impression in teachers—and there's not just some pressure. There's a feeling and even a message we hear that we've got to prioritize who we deal with. We know we should deal with all, and I know that's next to impossible sometimes, but there are so many needy students out there. Teachers will go to regional meetings of special-ed resource teachers and will only be allowed to bring forward, say, two names from your school. You may have 10 who need it, but to prioritize it, it's not right. It's a fact of life based on what we can allocate to them, but it's something we're going to pay the price for down the road. If we don't deal with these students now, somewhere we're going to have to deal with them within the system.

Mr Christopherson: Thank you for your presentation and for caring.

Mr Arnott: Thank you very much for your presentation. I want to compliment you on the tone of your presentation. Although you have a number of issues that you want to bring forward, and we appreciate hearing those, your tone has been very positive.

Like you, my wife is a teacher, so I think I have some understanding of the dedication and professionalism of the vast majority of teachers.

I want to ask you about one point that you made about the fact that in the Upper Canada board you say there are "effective models for evaluating teachers." That perhaps could be a model upon which we could have a province-wide policy. I wonder if, in the minute you have, you could explain to me how it's done in this board, how you do it.

Mr Frith: I don't sit on that committee, but I know they met again yesterday afternoon. Obviously we had four former evaluation policies and it was "Supervision

for Growth"—the same name there. It may come out as a different name once they finally get it in print, but it was a model that I would say tracked teachers. It was a model with supervision. There was a cyclical part to it. At least in the former Leeds and Grenville, we would have done it a maximum of every four years.

But we acknowledge difficulties there. I'm not hiding that. I get those kinds of calls. If there's difficulty with a teacher or a concern with a teacher—supervision means let's help that person—those would get acknowledged. Those wouldn't get pushed on till four years down the road. Those would come up. Everybody had the right to access that kind of procedure and we'd deal with it. I think it was a good way of keeping track of what teachers were doing. The relationship was ongoing and positive. As I say, I deal with—not many, but I do deal with those teachers, and even if the principal in the school is having some difficulty maybe finding assistants, we can do that through our own organization.

I'm quite happy to forward it to you too, but I think there are models out there that will identify the great quality teachers we have, but also—and I'm going to say it—weed out the ones perhaps we don't. I think we've always done that.

Mr Gerretsen: Congratulations on an excellent presentation. I'd like to get back to the special education funding. We've heard in the House time after time from the minister that in effect the same amount of resources, if not more so, is being put into this area as was happening before. Can you tell me from a practical viewpoint how it is affecting your teachers and the students in particular? How many students are being left off the special education funding list who were there before who had some special education assistants and now no longer have them?

Mr Frith: You hit the right word, "students." Even though I represent teachers, that's what we're all here for. I can't give you that number. I could make an approximate guess. I think the feeling with teachers and people at the college, working right in the classrooms, is that there's a great demand, I believe a greater demand, for special-needs students. I think that's got to do with society and how it's evolved too. Some of the problems weren't the same 20 years ago. We've got to recognize that.

But the thing is that all professionals, but teachers in this case, want to help everybody and you have to draw a line. I understand they aren't all at the same level, but there seems to be more severe difficulties at this time and not the opportunity to address those. The grant structure—and I won't deny it—within Upper Canada has provided us with EAs to help the students, non-teaching people to help the students. And our numbers aren't down; I will tell you that right up front. They aren't up, but they certainly haven't gone down with amalgamation.

The problem with the funding model there is, because of the quite complex way of getting the grants, we often don't hear the actual answer till well into the summer. You don't even know who you're working with, an EA,

to help your identified student until right when you walk in the first day or the day before. The need is increasing. I think it's just the frustration of not knowing that you can address all those needs, and I think split grading makes it more complex.

Mr Gerretsen: It's unfortunate that the board isn't here to make a presentation as well, because those would be the kinds of questions that we'd be able to ask them.

Mr Frith: You make a very good observation.

The Chair: On behalf of the committee, thank you very much for your presentation this morning.

Mr Frith: Thank you. I hope you all have a safe trip out of Brockville.

The Chair: Before we break, I'm told that the mayor of Gananoque is going to try to make the empty space we have at 1 o'clock, so if we could reconvene and see if she can make it by 1 o'clock, we'll adjourn until 1 o'clock.

The committee recessed from 1205 to 1322.

MUNICIPALITY OF GANANOQUE

The Chair: If I can get your attention, we'll bring the meeting back to order. I know some of the members are not here, but due to the situation we're facing I think I'll invite the mayor for the municipality of Gananoque to start her presentation.

For the record, could you please identify yourself.

Ms Sylvia Fletcher-Thomas: I'm Mayor Sylvia Fletcher-Thomas, town of Gananoque.

The Chair: Go ahead. We'll let you make your presentation and then we'll decide how many minutes we have for questioning or statements after.

Ms Fletcher-Thomas: I will try and make it brief. First, I have to say that I really appreciate this opportunity. I feel quite honoured and pleased that there are so many taking their time, so much interest in wanting input from the municipalities for the budget. That's why, in spite of the weather, I really wanted to make it. I do apologize for being late, for the second time, even. But I'm not a good winter driver any more and I apologize.

I don't have any revelations, so I won't take too long. I asked in the community when I had an opportunity to get input from people, and at least in the Gananoque area, infrastructure and health services and that type of thing—everybody says infrastructure and health care were the two top issues.

With the infrastructure, just a couple of comments. I have been to see ministers before, and Gananoque's just an example where the connecting link in some cases was brought up to provincial standards and in other cases it wasn't, with some money in lieu. In the community of Gananoque—and there are others—the King Street bridge connected the only route from Toronto to Montreal. That bridge was built in 1930, and the 401 didn't open until 1967. So I just feel that I and the community would like to see monies put back into infrastructure to bring things up to provincial standards, and then the municipalities take that over. That is understandable.

With infrastructure, I'd like to maybe suggest a stipulation. I know that before with infrastructure a lot of it was put into new things. I think we have to take care of what we have first, so we need to work on the infrastructure as far as roads go but also sewage separation. With storm water there's a lot of filtration, which causes charges by the Ministry of the Environment. In our municipality, we have done it on our own and owe money, but there still are problems. We do need to bring those things up. Rather than hurt the environment, we're better to put monies into getting sewage standards up to par. Again, I think there should be a stipulation that we should bring the old up to standard as far as infrastructure goes.

With recreation as well, which is a very important part of our lives, but especially with younger people—I know in one councillor's course I took, they mentioned in Texas they'd opened a recreation thing all night long for basketball and everything and the crime rate went down. They are the things I hope will be considered: the infrastructure, maybe money towards landfill sites, because a lot of them have closed down but not properly, and there will be more being closed down; maybe put a focus for municipalities that they really do need to plan ahead for that as well.

Land ambulance: As I said, we'd really like to consider and really appreciate what the province has done in taking some back, but I know the big concern of employees and staff is that they still don't have that much of a say in things like social services, land ambulance and health services and would really like to see that considered. I know our social services costs have gone up. I'm not being critical; I appreciate the changes and know that we need to change more within, actually. But at the social service end of things, now they're talking about a call centre. It was questioned, "Would that eliminate some staff to alleviate things?" They said, "No, it means additional staff." I do think those things are funded better provincially than at the municipal level and would just request that that might be considered.

Restructuring: We'd like to consider monies again that could be put into the budget for people like ourselves that haven't restructured yet. I know it has to take place. Unfortunately or fortunately, we're in a unique situation, with a county where there are three separated municipalities. It's not the norm across the province. There are only four separated towns in Ontario, and two of them are in Leeds and Grenville.

So there has been a lot of stumbling, territorial and everything else, but it's really difficult to sort things out between county and our responsibilities and not having a say, or as much say, for the dollars as we feel we should. We'd really like to see if some funding could still be provided to help restructure. We're doing restructuring within, and a lot of the municipality's money is going to consultants and lawyers and retraining staff. Not that change wasn't necessary, but it does add a burden. I'm one who would rather put it into sidewalks, roads and sewers. If we could try to come up with even some stan-

dardization from the province or access to provincial lawyers on some of the issues, something that might be considered to save the municipality some money and maybe have more standards there.

We really appreciate what the province did with the municipal liabilities, but wish that we could have a few more changes there because the money that saves in insurance alone is quite valuable.

Policing is the one thing—and I'll try to be really quick here; sorry. I know with crime, the CPP grant has been wonderful and appreciated. The additional funding for front-line officers has really been needed and appreciated. Extending the RIDE program and the OMERS holiday have been good, but something that municipalities have done and are still doing with the cost impacts of standardization—the subsidized policing is still going on in areas previously policed by the OPP. They are still enjoying the subsidy, where municipalities have paid their way all along. So we'd like some consideration, or dollars possibly, to have some extra municipal funding for the costs as far as standardization. The standardization criteria are necessary, and we know that, but it means for us either a new building or extensive renovations to a building or some form of amalgamation. We've been trying to look at that with cost savings, but we would like the province to take into consideration that we've been paying our full bill the whole way along and would like some consideration in that area.

1330

Also, and I don't know whether the province would ever consider this, a provincial cap on union demands. It is difficult for a small municipality, or any municipality, I would say—the unions have more money than municipalities, so even if there was a cap on when you're negotiating, when things go back, it can only go back so many years, because a lot of the things can really break municipalities. Even when we talked about amalgamating with the OPP service, the cost of payout is quite a bit. So if any consideration could be taken along those lines, we'd appreciate it.

Then there's economic development and tourism. We appreciate that the province has recognized that and would like that to continue, tourism being a big industry at this point, but all industry and high-tech. We just want that to stay considerations of the province.

I know that one of the clerk's things is the capping. She understands it more than I do. I don't even want to pretend, with all her changes, but the capping of municipal taxation on certain properties should be reconsidered. The current value assessments were put in place and tax bills issued in 1998. Taxpayers accepted it. Now they're upset because of the capping and implications it has on their operations. I just wonder if it would be worthwhile to get a notice out to clerks or to the tax collectors just for their input on that when you're being good enough to listen.

I think that's it.

The Chair: Thank you very much. I will give each caucus two minutes for questions, and I'll start with the government side.

Mr Galt: Thank you for making it. I know it's been a bit of a trial for you getting here. Just a couple of quick comments and then I want to get to the provincial cap on union demands. That's a new approach to a new suggestion.

You started out by saying your priorities were infrastructure and health care. We've been hearing a lot about education, all from teachers' unions. We have three coming up this afternoon and we had one this morning. At each stop we're hearing a couple. We've yet to hear from a group of trustees or any school board and there are none scheduled to speak to us. I'm curious, you haven't mentioned education in here. Where would that be in your priorities?

Ms Fletcher-Thomas: Education is here. I really skipped over things. A lot of people seem quite happy—the people in our area—with education and some of the changes. But it is important and I feel—I hate to say “I” when I'm representing the community.

Mr Galt: “We.”

Ms Fletcher-Thomas: We feel that some programs with education are really improving and there should be more money put into it. They just started a hospitality program in GSS, Gananoque Secondary School, training people for jobs and that type of thing. Something that I always wondered about with education is that I think the province should look at putting money into a simple course in CPR and retraining every year; the number of lives that could be saved, that type of thing. But education is at the top of the list.

Mr Galt: If I could just quickly get to my other one, and that has to do with capping union demands. Some people would suggest it's been union demands and settlements that have driven inflation in the past. How would you go about that? How would it happen? It's a tremendous idea. How would it work?

Ms Fletcher-Thomas: Do you know what I say to people? I always say—and I try to do this myself; I was on holidays so I was a bit behind with this when I got back—“When you have a problem, come with a solution.” What I'd like to do is think a little longer than that. I was trying to think of things that are problems for our municipalities, for the province. My father said years ago that unions were a necessary evil, and they were, but now the demands are so high that I'm not sure how to do the capping. I'd like to give it a little bit of thought and get back to you if I could.

Mr Galt: I'm sure Mr Christopherson will explore that a little further too.

The Chair: With that, Mr Galt's time has expired.

Mr Gerretsen: It's always nice to hear from a mayor of a municipality, because after all you are the persons and councils that are the closest to the people and know about their problems a lot more, particularly on a place like Gananoque which is one of the tourist meccas in Ontario. I'm sure you will agree with me that we'd like to invite all of the committee members and staff people to come back to Gananoque this summer and enjoy the heart of the Thousand Islands.

The one issue that I feel very strongly about is the infrastructure issue. You mentioned the King Street bridge. For those members who aren't familiar with it, it's part of the original Highway 2. The bridge has never been replaced since 1930.

With the downloading of all the road systems outside of the 400 highways to the local level, the major concern that I have is that perhaps a lot of these roads are in good shape right now but what's going to happen five or 10 years from now when they deteriorate, when they not only will have to be maintained but will have to be rebuilt. Do you think smaller municipalities like yours will have the financial ability in those days coming up to do those kinds of major infrastructure repairs, since a lot of the grants and subsidy programs that governments have come up with over the last 40 or 50 years were precisely done because municipalities didn't have the financial ability to do that? Do you have any comments as to what's going to happen to your road system in the future?

Ms Fletcher-Thomas: I am concerned. That's why I am, and we are, very concerned. I do feel that the connecting link especially—it was brought up to standard in many areas, but wasn't totally across the province, Gananoque being one of them. I do feel that to have that capability, we need to get them up to standard and plan ahead, something that we and a lot of councils do. That's where there have to be restrictions and guidelines too; just get through the three years and don't plan ahead or put in the infrastructure either. So I feel there has to be a directive from the province as far as planning goes, but I feel that we need funding in those areas.

Mr Christopherson: Thank you for that presentation. I'm glad you were able to get through, Your Worship.

I want to tie a couple of the issues together. I know my friend Mr Galt likes to isolate his favourite little hobby horses and ride them to death but most things are linked together.

You talked about the costs as a result of changes of consultants, lawyers, downloading, and then you threw into the mix the idea of the capping of union demands. Having been a former alderman myself and a former minister, I've been on the other side of the table and I know what it's like to face demands that you have a great deal of difficulty seeing your way clear to be able to meet, whether you agree with them or not. I just wanted to get a sense from you whether you were concerned that the wages and benefits that you are paying your employees, who are actually your neighbours and friends and family, are too great in terms of that they want too much for what they do, or whether what was driving you making that recommendation was trying to deal with all the fiscal demands and just not having enough money and finding more and more demands on you as a result of downloading.

Ms Fletcher-Thomas: Well, it's dealing with all the fiscal demands. As far as paying and everything and benefits, I think what's happened in the past is—and I would say everywhere, and that's where I feel we need provincial help maybe. We negotiate contracts. You're

elected; no training. You go in and negotiate. Things have been in little pieces of wording, because no one wants to spend the money on expertise that could have saved municipalities a lot of money. The things that have been written in really weren't given the thought, or it's just the lack of background or knowledge, really, on what goes on. I just think we either need some guidance or help or, again, guidelines to get things get levelled out a bit.

1340

I'm not saying unions are bad, but the thing is, every year you sit down, and half your council time—and we're volunteers, really—is taken with negotiation. Everybody wants more. I do think that with negotiations that go back where contracts have been lapsed for years because you can't get together, and then you have to go back and pay three to five years, even if there was capping on—municipalities only have to go back two years or three years—

Mr Christopherson: The problem with that, of course, is that it would be to the advantage of a council to drag their heels and let a lot of time go by, and then they wouldn't have to pay it. I'm sure you're not out to screw your employees.

Ms Fletcher-Thomas: No, no. It's just that a lot of times municipalities get into situations they can't really afford because of, myself included, lack of knowledge when you're doing those things. Then you look at wording after and—

Mr Christopherson: Thank you very much for coming today, ma'am.

The Chair: With that, we're running out of time. Your Worship, on behalf of the committee, thank you very much for your presentation this afternoon. Sorry that it had to be abbreviated. However, we do have a train to catch later on tonight.

Ms Fletcher-Thomas: That's my fault. I appreciate it.

ONTARIO SECONDARY SCHOOL
TEACHERS' FEDERATION,
DISTRICTS 26 AND 27,
TEACHER BARGAINING UNIT

The Chair: Our next presenters are representatives from the OSSTF teacher bargaining unit. Could you step forward and state your names for the record, please.

Mr Greg McGillis: Members of the committee, my name is Greg McGillis. I'm president of the teacher bargaining unit of OSSTF district 26. That's Upper Canada. That's that large section of most of eastern Ontario other than Ottawa. My colleague here is from the other part of eastern Ontario that's nearby. This is Joan Jardin. She's the president of the teacher bargaining unit from OSSTF district 27. We're here to present some of our concerns and what we think are some solutions.

A point well taken: The lady before, Her Worship, mentioned that if you have a problem, present a solution.

We're here to talk about some solutions today, and we appreciate you giving us the time.

The Chair: You have 30 minutes for your presentation.

Mr McGillis: Before I even get into the written text—and we won't be reading the entire amount—I'd like to point out that in many ways education fits the bill in a lot of what the mayor from Gananoque was talking about and a lot of what we're all talking about in terms of safety. It's infrastructure, it's quality of life, it's the way we think about our society, and it's a way that we ensure that the values and the purposes of our civilization continue. Really, when we think about education and as we're presenting today, I would ask the committee members to think in terms of—perhaps you're not currently parents; perhaps you're grandparents or whatever, some other form of parenthood. Perhaps you could think in terms of all those children being your children. Every day, we see opportunities and difficulties that teachers encounter, and those difficulties invariably involve the difficulties of children and of teenagers. There is no underestimating how important those difficulties are, and I am going to talk about some of those in my presentation, and so will Joan.

I just happened to visit an interesting newsgroup on teachers and schools where someone had posted a written cry of agony in the form of an article from a teacher and writer in Mississippi to other teachers in the same state. I have attached the article. The writer and teacher chronicles the decline in Mississippi of the teaching profession and of schools from years of cutbacks and neglect. Perhaps you will say that there is little that is reasoned or even thoughtful in her argument. It appears to be a cry in the wilderness, a cry for help, a cry that has gone unanswered for too many years to count.

And yet there is hope to be found in this article in the person of the new governor. A political solution, potentially, can offer an educational solution.

The hope is most assuredly not that the teachers in Mississippi will speak out for themselves, for the children or for the community. They have had to abandon that very important role that educators play in the formation of education policy. Mississippi remains mired at the bottom of almost every ranking of education finance and also at the bottom of almost every ranking of productivity and post-secondary education in North America, and indeed in the world. As almost every American state has reinvested massive amounts in education, even as the American federal government has reinvested in education, the decline of between 10 and 100 years of neglect in that state, in many of those jurisdictions and also elsewhere in the United States, seems irreversible.

Would it surprise you to find that Mississippi, with its long tradition of poverty and ignorance, ranks 51st out of 63 jurisdictions in North America, while Ontario, in per pupil expenditure, ranks 55th?

You have before you the future. The rich can get richer and the poor, poorer. The wheel of poverty can grind the bones of the unfortunate as it has in many

places in many times. We can starve the teaching profession for the money needed to hire the best and the brightest—yes, why not the best and the brightest?—and feel the rising brain drain where it hurts: in the classroom and the schools. Or we can realize the inadequacies of the funding model, of the education taxation system and of the command economy that education is becoming.

There has been a real effect on the children in our classes of more than \$1 billion in cuts. I say "more than \$1 billion" rather than "\$1.7 billion" because even the most optimistic observers can agree that more than \$1 billion has been cut from the education system in constant dollars during the first mandate of the government. As the American Senate armed services committee chair once remarked to the general, "Sir, a billion here and a billion there, and pretty soon we're talking real money."

In Ontario we can only count the recently restored money in the millions. We do appreciate that and I want to mention that. Thirty million dollars that's been "defrosted"—that's been the word that's been thrown around—related to special ed and \$40 million for ISA. It's not enough, but I think it's a symbol and perhaps a kind of hope to the people who are working every day and to the children who learn in our schools.

We have a golden opportunity before us. At no time in the last 50 years of education has money been so critically short in our education system. At no time have we been in a better position to correct that dire shortage. At no time is education more important in Ontario than it is right now.

I'll ask Joan to continue.

Ms Joan Jordin: I'm just going to continue on what Greg was saying, especially at the beginning about the importance of education. If you were to ever measure the wealth of a population, the wealth of a population is not just money. Are the people educated? Are the people healthy? Do you have a safe society? Education is paramount in all three of those to ensure that we have a very wealthy society, where you have educated, healthy individuals and, of course, safe streets. We contribute to help education and certainly we're the ones to promote discipline, self-discipline and respect for others.

I'm going to vary a little bit from the text that follows in that I've heard it and I've even seen it written that we want to put kids first. Unfortunately, whenever I see that or hear that, often it's followed by cuts to programs for kids. I think it's really important that we actually follow through. It's not just something you write down, but it's something that actually will pay off in the future.

Unfortunately, since I've been president, I've attended a rally about child poverty in Kingston, where child poverty has actually been increasing despite the motion—I know it's not in your House—in Parliament 10 years ago to eliminate child poverty. I was at a rally about rising tuitions for universities. That has great implications for our students and for the future of our province, the future of expectations and hopes of young people.

All this relates to underfunding-induced inefficiencies. Things are underfunded, but in the long run it really does catch up and they really will have long-term difficulties. Talk about ESL. Talk about junior kindergarten. That's where it starts. Certainly adult education is at the other end.

What we're asking for you to do is to ensure that our students have hope in the future, that they are supported with services such as ESL, starting with junior kindergarten and going up to adult education.

Another point: With these underfunding inefficiencies—I've listed quite a few there. Please note that the previous speaker had said that people are happy with the cuts to education. I want you to know that the education workers that have absorbed the cuts for over eight years have managed to try to do their best. We're at the edge. We're at the breaking point, because not only do we have to absorb our own cuts but we have to absorb the cuts that have been made to society, to social programs. I speak from Kingston—there are at least eight penal institutions in the Limestone area—and there's quite a lot of need for social assistance and support for families. We've absorbed that also, and we're doing our very best, but we're asking for some support and forward planning.

1350

Mr McGillis: Among the inefficiencies that we've seen, some of them have been catalogued by the people like the EIC, even by our own boards. A lot of the documents that I've used in creating this submission to this committee have been public documents, sometimes created by the boards themselves. In one case here I quote the EIC, which clearly is concerned about issues related to transportation, and mentions the issue of student support staff and the increased workloads. In this area of eastern Ontario, we're looking at workloads for social workers, for psychologists and psychometrists which are, depending on the profession, between four and 10 times what we're seeing in the rest of the province. It's partly these inequities in the funding model that are driving these kinds of problems. The fact of the matter is, if it's not in the funding model, you have to find money for it. It's all well and good to say, "We're only going to fund this and you'd better find some other way to fund it." The reality is, if you have no power for taxation, if you have no other source of income, you're going to have difficulty funding those kinds of levels of service.

One of the things that's happened in our board, to a great extent, has been that teachers and professionals have been encouraged not to identify students. There are students out there today with those needs who are not being identified simply because what's driving it is the fact that there is simply no money in the pot.

I can speak from experience. It's in my submission here, but I will speak from the heart to you, about a young man I met the other day, driving a truck down the main street in Kemptville. He had been severely physically, sexually and mentally abused over a period of 10 years. His entire life was some sort of hell. He lived in a barn. When they finally found him, they changed

schools, changed families, did everything they possibly could. It was a very long road back for that young man. It took every teacher in that little school to get him ready to rejoin society. It took teams of professionals to get him ready to possibly rejoin people and to start to think about having friends. He's married now and he has a family. He has a very good-paying job, and his story would not be possible today. I want to leave you with that at the very least.

We have several recommendations. It's not just in special ed; it's in other areas. You can say that education has to focus on the academic. Too often, schools do focus on the academic and put a high price on it. That's our main focus. But in fact a key part of learning and a key part of teaching is understanding the whole child and understanding that as teachers we learn and as learners we teach. I really invite you to visit some of those schools.

I saw the mayor of Gananoque here. I come back to this: Gananoque Secondary School, which was referred to, has some very severe problems right now. That community's in great turmoil. I'm surprised the mayor didn't mention it. That school currently has a severe health and safety crisis which is certainly out of control in every respect, mostly due to funding cutbacks causing the deterioration of the physical plant in that school. Many of the students are saying they don't feel safe or healthy in that school any more, and we've had to transfer teachers out. Those people are called susceptible workers. If you're familiar with the terminology, you understand that they're like the canaries in the mines. They're telling us, "It's not healthy here." That's the kind of problem we have. These are very serious problems. It's only the beginning of what's going to happen.

We can sound the alarm now. We can say the level of morale of the teaching profession has sunk to a point that's really beyond what is sustainable, but until you really sit down and examine what's happening and look and try to project for the future, you can't realize that in the end you're talking about the people who at the end of the day have to be extremely motivated, no matter what, to try to find a way to reach those students day in and day out.

I'd like to encourage the committee to consider some of those issues, look at the submission that we have here and ask any questions. We're certainly interested. I'll also defer to my colleague Joan to speak.

Ms Jardin: Just continuing on with the unique aspects of both the Limestone and the Upper Canada boards, certainly the rural, remote schools, the small schools, it cannot be over-expressed how difficult it is thinking about students on buses for even longer periods of time than they are now. We must ensure that the smaller schools can remain open for the kids.

The mayor of Gananoque is very happy about the hospitality program. The Limestone board has been having what they call focus programs for almost 10 years now and they are wonderful programs. I spoke to the hearings on Bill 160 about how if you don't allow local determi-

nation—actually, I put it in a more positive way: “Please allow local determination, local choices and ability to raise local taxes because there are unique things that happen in each board.” Our focus programs are excellent. They are being repeated and followed in other boards, as witnessed today. They need the money in order to pay for those because it does involve increased costs, because quality does often cost. So what it means is transportation, but what it also means is a priority in excellence in education. That’s what our local boards want to be able to do. So we recommend that school boards should have taxation power to ensure that inequities in the funding model can be dealt with locally by those familiar with the needs of the community and the students.

Our focus programs are in trouble. Unfortunately, our board is looking at any other way to fund it, but it’s a public responsibility. Those are very good programs. We all benefit, in particular the students.

Mr McGillis: Just one last thing before taking some questions: We’ll read through the recommendations for the record, but I also want to mention that there was a mention of the fact that no trustees or school boards were presenting today. In fact, we had spoken extensively with the trustees and the director of education about presenting today. I must admit it’s my failing and my responsibility that we were not able to get a joint submission together in time. The director expressed a keen interest to prepare a joint submission and was encouraging us to write it. He would simply review it and discuss the contents and we would make that joint submission.

We also had several phone calls from parent councils that wanted to participate in our presentation. Unfortunately, to begin with, the word seemed to get out that we were making this presentation. Teachers were talking about it. I asked teachers to submit. A lot of our brief is written from what teachers have submitted and from our own personal experiences. So there is a broader education stakeholder group out there that we have been in communication with, that certainly could have been represented in this brief, that is not very far from what we’ve said here. I don’t want to misrepresent that this is what they’re saying, but some of these people were calling me as late as this morning to see if there was some way we could have arranged to make a joint presentation. That is our fault, but nevertheless, it’s not for lack of trying. I think they expected that we were going to do that. So you should know that.

The Chair: Thank you very much. We have four minutes per caucus. I’ll start with Mr Gerretsen.

Mr Monte Kwinter (York Centre): Did you not say you were going to make the recommendations?

Ms Jardin: We’re going to wrap up by reading the recommendations.

We’ve mentioned the first one: School boards should have taxation power to ensure that inequities in the funding model can be dealt with locally by those familiar with the needs of the community and the students.

Recommendation 2: The foundation grant should be increased to ensure quality education for all students,

including those at risk who may not have been identified as worthy of ISA grants.

1400

Recommendation 3: That the qualifications and experience and benefit lines be adjusted so as to reflect the changing demographics of many boards and to allow for reasonable compensation increases for teachers and other education workers.

Recommendation 4: The targeted increases in areas like department heads, support services, adult education, ESL, guidance, preparation time and library be used to ensure that students are given the support they need to become contributing members of society to whatever extent they are capable.

I want to assure you that we know taxes are used, we know every day that they’re used wisely and we promise that they are every single day, and we do our very best. Our taxes do pay for very important programs and quality public education is, I believe, one of the very most important.

Mr Gerretsen: Thank you very much. Congratulations on an excellent presentation. I’d just like to follow up on something that Ms Jardin mentioned and that deals with the focus program situation. I’m personally familiar with one of those programs, the building intern program that Don Voteary and other people in the Limestone board started about 10 years ago. I believe that they’ve finished building 34 houses and are now involved—from a meeting that I attended on Saturday—in the historic restoration of houses as well.

I think the committee ought to know that these are two teachers who got together mainly boys, but also girls, who were 15, 16 and 17 years old. They started this about 10 years ago for kids who otherwise undoubtedly would have dropped out of the system. I know what I’m talking about because my son was involved in building the very first house some 10 years ago. What these two individuals, with some extra funding, were able to accomplish and how they turned these individuals around on an ongoing basis over the last 10 years—to bring young people back into the education system and to teach them the different techniques and trades in the building area that they will benefit from for the rest of their lives—is absolutely commendable.

I really believe, and I’d just like your comments, that one of the problems that we’ve always had is that we have a tendency to look at education in a very narrow scope. We have to realize that there are people out there who don’t learn by the traditional methods, and it’s programs like that, which need some extra push and help from the community and from the system through resources, that really make it happen. Do you have any comments on that at all?

Ms Jardin: I’ve been very closely linked with the focus programs. At the school at which I taught for 12 years that was, I’ll say, the hub of most of the focus programs. The comment is that I agree with you. They are wonderful for the students. They address a need for the students. They incorporate the community. They give

them vital learning and living skills, and actually they also help the teachers and they help the community of the school.

As I did say in Bill 160, they were going to be under fire, and some excellent programs have had to stop or have been cut back. I think that is a wrong use of money if these wonderful programs are not being supported, such as the masonry program. I can go over other lists. We have done our very best to support them and we work to make huge concessions in other ways in order to maintain those programs. Unfortunately, as I said, we're at the breaking point.

Mr Christopherson: Thank you, Greg and Joan. I appreciated and enjoyed your presentation. You talked early in your comments about child poverty. I've noticed, with very few exceptions, that members of the government side don't address the issue of poverty. Their answer seems to be that it's complicated, the feds have to be involved, and beyond that, I get a sense that they wish it would just go away.

We have once again the government version of how wonderful everything is, that things are just terrific, couldn't be better. We have stats that now show us that there are more people who have slid from middle class into poverty, and those who are in poverty are in deeper poverty. That's the statistical. So you get the political and the statistical. Can you just share for us what your experience has been, and that of your colleagues, in terms of what you see in terms of changes of socio-economic levels of children and families now as opposed to earlier in your careers?

Mr McGillis: Perhaps I'll start and Joan can finish. I taught in a small school in eastern Ontario. I won't identify it because I don't want to say anything negative about it. But the key was that it was a difficult-to-serve population. It was a very small school with a high degree of rural element and a significant amount of poverty and a lot of other social issues.

I only became a teacher in 1990. I'm fresh off the boat, or fresh off whatever you get off to become a teacher, and Joan is relatively—very, very fresh, actually.

Interjections.

Mr McGillis: She's a little more experienced than I am.

Mr Galt: Keep digging.

Mr Christopherson: I think you should just get off it, man, and move on.

Mr McGillis: Thank you, Mr Galt, I will.

There is no question, there has been a significant effect. The problem is the combination of the fact that we're seeing—and it's strange, the statistics don't seem to bear it out. I hear government statistics and they seem credible and yet I see rising amounts of social unrest, difficulty within families and real problems with families who have been on some form of social assistance, on employment insurance, whatever government program.

I'm not pointing the finger at any particular government, but it has been a problem throughout the education system. At the very moment when the crunch has come from one side in terms of the schools' ability to actually

meet those problems, the crunch has come from the other side in terms that the need has probably quadrupled, really only in the last four or five years, let alone over the last 10 years.

Also, our society seems to be becoming more violent. I noticed that even over just seven or eight years from when I started till just recently when I began this job. I was really shocked by the degree of violence and the need for special programs to combat that violence and the amount of teacher time and professional time spent to try to deal with the problem. There's no funding for that in the funding model. There is really no resource out there for it and that's a serious problem.

Ms Jardin: And it's certainly important not to become complacent because generally crime statistics have gone down, but it's people's ability to deal with all the cuts and the hurt that they feel because of the cuts.

Just to answer that, I also teach in an area which is relatively low socio-economically and the cuts to welfare and to social assistance made huge differences. I have mentioned this publicly, that we have a food-sharing program and, unfortunately, every year they say 600 more meals are being delivered. It's not supposed to be a growth program. I find it very disturbing that every year it's gone up.

We've absorbed the other cuts to social programs etc. By the way, I can provide any of you with the Kingston report on poverty. I apologize to the rest of Upper Canada and Limestone, that it doesn't deal with all, but I am quite sure it would be all very similar statistics.

Mr Christopherson: I've had a copy of that given to me and it's very similar to what happened in my hometown of Hamilton.

Ms Jardin: And so once again, it's just the idea of putting kids first. Are we? We are obviously financially not putting kids first.

Mr Christopherson: Thank you very much for your answers.

Mrs Molinari: Thank you very much for your presentation. I could make several comments, but with the short period of time I want to leave some time for one of my colleagues.

Just one quick question: In your recommendation 4, where you talk about targeted increases to be used to ensure that students are given the support they need, school boards are supposed to use the funds given to them to provide the support they need directly to students. Could you expand a little more on that, what your expectation of the government is?

Mr McGillis: One of the things that has happened is that things look pretty good on paper sometimes, and I've seen this myself. I have to set a budget as president and I've had to do this recently. It's a daunting task in some ways and I admit that it's a daunting task for the government as well.

Things look like they're being used for one thing on paper and perhaps it isn't even understood how those particular programs function in the context that they are in, except by the people who are involved, and even sometimes then. I think a good example was the elimina-

tion of department heads, the almost complete elimination of departments heads from the schools. It had been an old saw, you know: "It's something we could cut." In fact, we would often go in and that was one of the first places we were cutting way back at the beginning of the social contract. We would say, "If there is some softness there, we'll cut that; that's one of the things."

1410

We have found, and it's almost universal now among teachers, that there is a general consensus that there is a crisis of leadership in the schools. Is it a short-term issue? No. It's a long-term issue. Are students getting the support from teachers in their learning that's necessary? There's a bit of a gap from where the government introduces legislation or guidelines and curriculum to where it finally gets to the teacher. At every point there, there are weaknesses in the system. One of the biggest weaknesses was the withdrawal of department heads, and we didn't realize that, I think because we hadn't really seen in the last three or four years a lot of curriculum change all at once.

If you were going to do something to improve the delivery of the government's curriculum policies—and I'll applaud the government for that. Some of the curriculum was excellent and people are very happy about it. It's the implementation that's all gone to hell. Pardon me. I'm sorry; it's unparliamentary, I'm sure.

Mrs Molinari: So you're looking for the government to take a more leadership role in that issue rather than leaving the responsibility up to the boards to make those kinds of decisions?

Ms Jardin: Unfortunately, the government hasn't allowed boards to do that because they have actually provided funding and envelopes with very specific allocations. It isn't: "Here, have a couple of thousand dollars. Allocate as you want." The funding is incredibly strict, it's targeted, and that's why we've listed it here. I truly believe that our school board is doing its very best, but it's the funding model that is fundamentally difficult and flawed and underfunded the way it is done.

The Chair: With that, we've run out of time. On behalf of the committee, thank you very much for your presentation this afternoon.

CANADIAN UNION OF PUBLIC
EMPLOYEES, LOCAL 2204

OTTAWA-CARLETON
CHILD CARE ASSOCIATION

The Chair: The next presenting group is CUPE local 2204. Could you please come forward and state your name for the record, and on behalf of the committee, welcome. You have 30 minutes for your presentation this afternoon.

Ms Shellie Bird: My name is Shellie Bird. I'm here today to represent CUPE 2204 as well as the Ottawa-Carleton Child Care Association. My co-presenter fell

victim to the flu today so she's not going to be here with me.

The Ottawa-Carleton Child Care Association represents 50 non-profit child care agencies which provide a variety of child care services to over 2,000 families. CUPE local 2204 represents over 200 early childhood educators, cooks, cleaners and clerical staff employed in non-profit child care centres in eastern Ontario.

I would like to thank you for this opportunity to speak before the standing committee on finance and economic affairs.

Margaret Marland, provincial minister responsible for children, made a statement that child care and child development are separate and unconnected. To impose this false separation between child care and child development is harmful and counterproductive, and ignores more than 20 years of research. All the research to date demonstrates the critical link between positive early child experiences and healthy development and later life outcomes. If this government is to achieve its stated economic goal of building a strong, vibrant, knowledge-based economy, it must reconsider this artificial separation between child care and child development. Investment in high-quality, non-profit early learning and care services is the bedrock of the economic objectives of this government.

Before I get started, I think it's important to define exactly what I'm talking about when I talk about high-quality child care and education. The key indicators of high-quality learning and care include adequate government funding and regulation, not-for-profit delivery, adequate physical environments, high adult-to-child ratios, small group size, parental involvement, consistent staffing with specific training in early childhood development, and good wages and working conditions.

Not-for-profit child care ensures that public dollars remain in the public domain, where parents, communities and local government can work together to build a range of child care services to meet the diverse needs of the community and to improve the quality of care.

Research shows that not-for-profit child care has better staff-child ratios, better-trained staff, higher salary levels, lower staff turnover and higher staff morale, which supports a higher standard of care.

Research clearly indicates trained and knowledgeable care providers as the central ingredient of high-quality care. Knowledge of child development, patience, respect for children, practical skills to meet their learning needs and to guide their behaviour, together with a deep appreciation of the knowledge that I bring to my work, lasts a child's lifetime.

Let us look at the benefits of high-quality care. The 1994 report of the National Forum on Crime found that investment in high-quality child care reduces high school dropout rates, youth crime, unemployment and court-related expenses.

The 1995 Royal Commission on Learning and the 1999 Statistics Canada Longitudinal Study on Children and Youth found that children who attend preschool programs score higher on language, reading and math

skills. These studies show that regardless of socioeconomic background or mothers' employment status, children who participate in early childhood education perform significantly better than children who do not. School performance at 10 years correlates positively with the decision to pursue post-secondary education and with future family income.

The 1999 report of the National Council of Welfare, *Preschool Children: Keep the Promise*, found that children who had access to high-quality child care were in better health and less likely to require expensive health and social services later in life.

These studies all agree that society gains significant benefit from the future effects of high-quality childhood care and education. The long-term effect of early learning and care services is linked to later productivity and lower welfare, health, education and social costs.

Benefits are realized through increased workforce participation rates of single- and two-parent families, which produces lower social spending, higher tax revenues and increased economic security for women throughout their life cycle.

The 1998 economic study, *The Benefits and Costs of Good Child Care*, concludes that for every dollar invested in high-quality child care and education, there is a two-dollar benefit to children, parents and society. In preparing for this presentation, I read somewhere that economists refer to this as "external benefits."

Numerous studies show the direct relationship between the quality of care children receive in their early life and later outcomes. Children in poor-quality care arrangements score a full standard deviation below those in high-quality care arrangements.

The two-year Goelman and Pence study to test quality levels using standardized quality indicators found that unlicensed, informal child care settings score consistently lower than licensed home care settings.

One third of unlicensed care providers report that they do not read, sing or listen to music with the children in their care; half report not working with the children on language, numbers or nature studies; and 18% stated that they did not play with the children.

I think it is safe to say that how a child spends its day, no matter the circumstance, will determine how that child will grow and develop. Children develop regardless of who is doing the caring. Children's early environment and development are intrinsically linked. This is supported by your own research.

Over 70% of young children spend anywhere from four to 10 hours a day in non-parental care arrangements. The sheer number of children we are talking about moves this from a private family matter to a societal issue requiring government funding, standards and regulation.

1420

Understanding high-quality care and its benefits to children's development and to society, we will now talk about what happening to high-quality early learning care over the past six years in Ontario.

The ill-conceived and artificial separation between child care and child development has been used to defund high-quality early childhood care and education and to fund the informal, unlicensed child care sector. Since its first term in office, the provincial government has cut more than \$70 million from the regulated child care system.

These cuts have also been accompanied by provincial funding restraints, a general tightening of child care subsidies and changes to cost-sharing arrangements as a result of restructuring and downloading. Under downloading, municipal governments are now required to cost-share the entire child care budget, including child care subsidies, wage subsidies, family resource centres and supports for children with special needs.

Without additional dollars being flowed to local government to assume these new responsibilities, many municipalities are unable to maintain a quality system of child care. They are being forced to rely more and more on the informal sector to fulfill their child care obligations.

The non-profit child care sector in Ottawa-Carleton has sustained a 2.21% budget cut since 1996 as a result of changes to cost-sharing for Jobs Ontario child care subsidies. We did this to save 707 Jobs Ontario child care subsidies from being lost in our region.

Operating budgets for child care programs have been frozen at 1994 levels. Though the actual cost of operations continues to rise, there are no new dollars flowing from the province to cover them. Cash-strapped municipalities are unable to increase funding for per diems to cover these additional costs. This leaves parent boards forced to increase full parent fees. Spiralling parent fees will force many middle-income earners out of the regulated system and into unregulated care. Parent fees constitute 50% of the provincial child care budget. The erosion of this vital funding base does not bode well for regulated, affordable high-quality child care.

Though research proves conclusively that child care providers are the cornerstone of high-quality care, this government has not seen fit to fund a cost-of-living increase since it has been in office. In 1990, the wages of child care workers were compared to zoo attendants. In 1994, our wages were comparable to parking lot attendants. The latest federal study compares our wages to pet groomers. It is terrible that we value children so little that we don't care who is caring for them.

A major flaw in the current funding for child care is that staff wages are directly tied to parent fees. When staff receive a wage increase, it puts pressure on government to increase parent fees as opposed to per diem rates.

The implementation of wage grants was meant in part to alleviate this situation, and to recognize the relationship between quality child care services and the need for a stable child care workforce. Municipalities are now responsible for 20% of wage grants, with no additional dollars being flowed from the province to cover them. To deal with this, the province has given the municipalities

discretion to reallocate wage grants from one underpaid child care sector to another.

This is a flawed option for managing increased child care costs. This will see the already low wages of early childhood educators lowered further. The research clearly shows the need for improving wages and working conditions in order to attract and maintain a trained, knowledgeable and skilled child care workforce.

The province has also indicated that it will no longer fund mandatory pay equity adjustments beyond 1998. Not only does this continue an injustice against child care workers; it also puts parent boards in an untenable legal bind. Boards will be forced to choose between making mandatory pay equity adjustment and accumulating unsustainable debt for their centres, or ignoring the legislation and putting their centres in direct contravention of the statute.

I think it is important for people to realize who these boards are. They are voluntary boards made up of local community members and parents whose children are enrolled in the centres. They are people who take their responsibility as parents and board members seriously. It is reprehensible that the provincial government can have so little regard for the position these parents have been put in as a result of the province refusing to fund pay equity but holding boards accountable for it.

The provincial changes to child care subsidies are exacerbating an already difficult situation. The 1996 decision to remove parents attending post-secondary education from social assistance and to eliminate the child care bursary is having a devastating impact on these families as they struggle to improve their employment opportunities and provide for their children's care. This change has forced many young parents to drop their studies or to accumulate huge debts or to take their children out of high-quality care because they can no longer afford it.

The provincial directive to include RRSPs as a liquid asset in determining eligibility for child care is forcing many municipalities, under threat of sanction, to implement a guideline that they know undermines the interests of children, parents and the child care system. This provincial directive is forcing young families who have demonstrated foresight in planning for their retirement to choose between economic self-reliance in their old age or taking care of their children and taking them out of the kind of care that they believe is best for them. In Ottawa-Carleton, a regional staff report indicates that approximately 600 families and 900 children will be expelled from the system in a matter of months as a result of the implementation of this directive.

The introduction in 1996 of the Ontario Works program is adding additional pressure on the child care system. Since 1995, 70,000 more children are requiring early learning and care services. The 1999 KPMG report found that the Ontario Works program could not succeed, because of inadequate funding for child care. Some municipalities have indicated they will use only unregulated

care for these children because of lack of provincial funding.

In light of the current crisis in the regulated sector, we must ask, how is it that the provincial government can claim so loudly and so vehemently that it is putting more money into the child care system than any previous government? To account for this, we must look at how and where the government is investing in the system.

The government is funding the growing demand for care by defunding high-quality regulated child care. Provincial allocation for regulated care shows a difference of \$70 million between 1995 and 1998. The actual child care expenditure per child has dropped 15% since this government has been in power.

It is also finding savings by clawing back money from welfare recipients receiving the federal child tax benefit. The savings from both these measures are being directed to the Ontario child care supplement for working families. So while the province claims to be injecting \$175 million into the system, it is doing so by robbing from the regulated system and taking money from poor children to provide unlicensed care of unknown quality to a growing number of children. As Mustard and McCain point out in their study, these care arrangements may be good, bad or mediocre—we don't know.

But let's look at what this Ontario child tax supplement really means for these families. The maximum annual benefit for one child under seven is \$1,100 dollars to be paid out in quarterly instalments. On an annual income of \$20,000, a family with one child will pay, on average, \$600 a month for informal, unlicensed care. Minus the \$92 monthly child supplement, this will be \$508 a month. So with an income of \$20,000, child care expenses for a year of \$6,096, housing and utilities for a total of \$9,000, transportation—this is the cost of a bus pass in Ottawa-Carleton—of \$780 a year, and food and other necessities of \$4,200 a year, the total that this family pays for just basic living expenses and child care costs is \$20,076. They are in debt after the year for \$76.

Though this government can claim it is investing millions of dollars in child care, when we look at it, this investment is supporting families to live in near poverty and children to be placed in unlicensed care where there is no certainty about the care being offered.

1430

The Ontario child supplement is flowing millions of public child care dollars into the unregulated, informal sector where there is no accountability, no assurance of quality and no standards for training to ensure high quality.

In the conclusion of their study, Fraser Mustard and Margaret McCain clearly call on the provincial government to develop universal programs available and accessible to all children. They state that a targeted program that reaches only children at risk will miss a very large number of children and families in need of support in all socio-economic sectors of society.

We urge this government to reconsider this artificial separation between children's care and children's development, and to fund the kind of care research shows to be

the most beneficial to children's development and to society. The research clearly proves the link between positive child care and child development and its benefits to society. If you are serious about preparing this province for the knowledge-based economy, then invest now in our children for our future.

We urge the Ontario government to make the development of early childhood care and education a high priority by co-operating with the federal government in negotiation of the National Children's Agenda.

The Ottawa-Carleton Child Care Association and CUPE Local 2204 recommend: that the provincial government return to its traditional role in supporting the development of licensed, quality child care by making substantial new investments in the regulated system; that the Ontario government undertake a five-year plan to increase child care spaces and provide base funding for child care services modeled on Quebec's universal child care system; that the Ontario government dismantle Ontario Works and invest in job creation and training programs that lead to permanent jobs and access to quality child care for the unemployed and for people on assistance; that the province provide ongoing funding for pay equity adjustments in recognition of pay equity principles; that the Ontario government restore all funding cuts from education; that the Ontario government reinstate the policy that required all new school buildings to include child care programs; that the Ontario government make new and substantial investments in children to address serious child poverty; and finally, as a signatory to the National Children's Agenda, the Ontario government demonstrate vision, political will and commitment to regulated, licensed, non-profit services available to all Ontario's children and families who require it. Thank you.

The Chair: We have three minutes per caucus.

Mr Christopherson: Thank you very much for your presentation. It was excellent. I noted that, contrary to what some folks might think, the issue of wages for early childhood educators didn't find its way into your report until the bottom of page 4 and then only briefly. I think that underscores again the commitment and professionalism that early childhood educators bring to the job that we as a society ask them to do.

I want to focus on that just a little bit because I agree very much with the idea. I have a seven-year-old daughter who was in child care early, and we had the benefit of very professional, dedicated, educated, committed individuals who just made a huge difference.

You make reference to the fact that in 1990 your wages were compared to those of zoo attendants, in 1994 you were at parking lot attendants, and now you are told that they are looking at pet groomers. You don't mention dollar figures here, and I know they vary across the province depending on whether it's not-for-profit or profit, and even within each of those categories there is rich or poor, depending on neighbourhoods etc. Can you give us a sense, so that it's on the official record and for the benefit of committee members, just what are the ranges of wages? Most early childhood educators have

post-secondary-education degrees and some of them even beyond that. With that in mind, can you give for us the range that you're aware of?

Ms Bird: The range for an ECE graduate just coming out of college after two years is minimum wage. You start out as a teaching assistant at minimum wage. I can give my own self as an example. I have a university degree. I have worked in the field with children for 18 years. I have reached the maximum of my earning potential in the field at \$38,000. I cannot look forward to more money in my field, even though my 18 years' experience and my university degree should be giving me more.

Mr Christopherson: I think that will be a shock to a lot of people. Think about it: Two years of college, taking care of our kids, and you walk into a minimum-wage job. You've got to be pretty committed, or crazy.

Ms Bird: I have to say, for myself, I work in a unionized centre so I'm at the top wage scale of early childhood educators, but even at that I have reached what I will make for the rest of my life, other than cost-of-living adjustments.

Mr Christopherson: Just in your own experience, looking ahead, if things continue down this road—and we're at the beginning of a fresh mandate for the Harris government, a second term—if things continue this way for the foreseeable future, if this committee were to revisit with you in five, eight, 10 years hence, where are we going to be? Where is this trend going to take us?

Ms Bird: I can tell you that right now, with the provinces having downloaded discretion to reallocate wage enhancement grants, for those of us who work in the non-profit sector, we are looking at a loss of \$6,000 minimally in our wages. That will be taken right off the top. I'm looking actually in my future at losing my income as a result of the province giving municipalities the discretion to reallocate wage grants. I know of one municipality that has already chosen to take that route in order to manage the downloading costs. So it's being done directly on the backs of people who are working with children.

Mr Christopherson: I understand that in the private sector it's even worse, with lower wages and benefits.

Ms Bird: Yes.

Mr Galt: Thank you for the presentation—very thoroughly researched and put together, and well presented. You made reference to the \$175 million—the figure I've heard is \$173 million, a 30% increase—and you've sorted out where that did or did not go. These are the figures we hear and that it has increased by that 30%.

As you talked about no dollars, that responsibilities were transferred to the municipality, it started out in the discussions with the previous government of disentanglement, which they backed away from. We gave it a new heading, Who Does What, and proceeded. When it ended up, we followed through on every recommendation that came back from AMO, with the exception of a 5% tax levy for boards of education. It was revenue-neutral, although the opposition would like to say "downloading." That's got a great ring to it and it's been effective as far as an emotional rollout.

As you are aware, there has been a minister appointed to oversee children's issues. Certainly this kind of thing and the concerns you're expressing are of paramount concern to her.

My question to you—and this came as quite a surprise to me. This was 20-plus years ago when I was on a school board. There was a struggle at that time—senior kindergarten, full-day, half-day; junior kindergarten; the whole package—and a study was done at that time indicating that academically at the end of grade 3 you couldn't measure whether they'd been in kindergarten or not. What young children learn is tremendous; they're just like sponges. So I had real problems with that. Maybe you'd like to expand a bit on the educational experience that occurs in child care activities.

Ms Bird: This is the result of your own Early Years Study that's drawing more from the sciences—epidemiology, biology—to determine that the wiring of children's brains begins at a very young age and sets the stage for how they learn throughout the rest of their lives and how they cope with life's stresses throughout the rest of their lives. They're discovering more each day about how critically important the first five years of life are. The long-term impacts are being followed through longitudinal studies, and they are finding a direct correlation and link between children's early life experiences and how they go on to develop throughout their lives. The research is all coming together to reconfirm what has already been found around children's early experiences and later life outcomes.

1440

Mr Phillips: Just to follow up on the comments from the previous speaker, the facts are that Mike Harris appointed 14 people to look at what things should be handled municipally and what things should be handled by the province. He handpicked these people, 14 of them, all his friends and whatnot. When they looked at it, they unanimously said: "Don't do this. Don't put social housing, don't put social assistance, don't put child care on property taxes." In fact, they said: "We are unanimous in this view. The panel strongly opposes such a move." They begged them not to do it.

AMO said, finally, "If you're going to ram this down our throats, then at least try and do some things to make it go down the throat a little easier." That's what Mr Galt was talking about.

But Mike Harris's own people said, "Don't do it." Why not do it? Because of exactly the reason you've pointed out now. When you go to a local municipality that is up against it on property taxes, has a gun to its head—and that's their only access to revenue—and you're saying, "We need help on child care," no wonder it's difficult for municipalities to respond to it.

The other half of the equation, and some of our educational leaders from the community are here today, was that Mike Harris wanted to get a hold of education. There are no ifs, ands or buts about it. Now he has total control over it, although he has set up these school boards, covering huge geographic areas, as a buffer between himself and the school system and gives them no flexibility. He

tells them dollar for dollar what they're going to spend and virtually how they're going to spend it. When people complain, Mike Harris says, "Go to the school board; it's their problem."

I couldn't let that comment go by, because what you've done for us today is prove the success of Mike Harris's formula, which is to get municipalities taking the heat for this issue.

The second thing you've done for us, which is extremely important, is that you've outlined this shell game for us of where the money has gone. The staff are preparing for us a kind of road map of the shell game, but you show the shell game. Here's the money here, and then it's the old three-card monte. Where is the money now? It's over here.

And they say, "We've got more money than we've ever had." I see even recently here they've taken some federal money, put it in as revenue and then shown it as expenditure and said: "Aren't we nice? We're spending more money." It's just taking somebody else's money, laundering it through their bank account and saying, "Look at us, we're helping." So that's, first, a comment.

I appreciate, frankly, the work that's gone into this brief. You have outlined for us about six or seven areas where real people are being hurt, the young people on social assistance—I had a young lady in my office who went back to school because she wanted to get an education and was told that this was the approach. Now she owes \$66,000. She's a single parent and it's a mountain for her to climb that is virtually, if not literally, impossible.

My question to you would be: Has your organization been able to put together for us a simple little chart? As I say, you've outlined here in words, but a picture would be very helpful for us. I personally wouldn't mind the six or seven areas where you show what it used to be and where it's gone now and a dollar figure. Is it possible for your group to put that together?

Ms Bird: Yes, we could work on that.

Mr Phillips: And forward it to the clerk of the committee, who would circulate that to us?

Ms Bird: Yes.

The Chair: We've run out of time. On behalf of the committee, thank you very much for your presentation this afternoon.

ONTARIO SECONDARY SCHOOL
TEACHERS' FEDERATION, DISTRICT 26,
PROFESSIONAL STUDENT SERVICES
PERSONNEL BARGAINING UNIT

The Chair: Our next presenter is the OSSTF, district 26, professional student services personnel. Could you come forward and state your name for the record, please.

Ms Heather Wells: Good afternoon. I'm Heather Wells.

Mr John McEwen: I'm John McEwen.

Ms Joan Jardin: I'm Joan Jardin. I'm from Lime-stone, District 27. I'm district president. The professional student services personnel is actually one of our bargaining units.

The Chair: On behalf of the committee, welcome. You have 30 minutes for your presentation this afternoon.

Ms Wells: I appear today on behalf of my bargaining unit, which is the PSSP bargaining unit for District 26 of the Ontario Secondary School Teachers' Federation. PSSP stands for professional student services personnel. Within that bargaining unit I represent a conglomerate of 20 psychologists, psychometrists, attendance counsellors, speech-language pathologists and behaviourists.

We offer students emotional, behavioural and social support. The services that we provide to at-risk and challenged students often make the difference between a successful graduating student and a dropout.

We have before you in the brief a table, which I'll ask John to walk you through, please.

Mr McEwen: Since 1992, school boards have been reducing the staffing levels of these professionals. As you can see, it's gone from 1.3 staff per thousand to 1.14 staff per thousand. Paradoxically, as you heard in an earlier presentation, as the staffing levels have been reduced the demand for these services has increased. Now, back to my colleague.

Ms Wells: In the same period, our particular corner of the world amalgamated four boards and, by doing so, as part of that, we did originally start with a staff complement of 42.5. That has now been reduced to 20.

On the next page, I'd like to take some time with this particular table and explain it to you and help to draw it out for you. We have the staff categories and I've listed the staffing complement before amalgamation, after amalgamation and the change. I want you to bear in mind that we're servicing 40,000 students. We have three psychologists to service 40,000 students. We have two speech-language pathologists. We have three attendance counsellors. These people, the attendance counsellors, would have approximately 14,000 students each, in 37 schools. That doesn't allow much in-depth time.

There were three behaviourists before amalgamation. I'd just like to clarify that those three were in one predecessor board and they served the 14,000 students. With amalgamation, yes, we got more behaviourists, but it was now six spread across the 40,000.

The job of the behaviourists is that they're called on by the schools; a child in crisis, a child tearing up a classroom, whatever. The behaviourist goes in, observes, sets out programming, coordinates with family, with school, looking at the system. In the past, they had what we called educational-behavioural assistants whom they could leave to do some of that programming. That's been lost so that now we have fewer behaviourists and we have not the same support in the school.

Where I'm going with this is, that bounces down to the teacher. The teacher then becomes the person who is trying to follow through on a behavioural program, be-

cause she or he needs that in order to keep their class stable. They also have a few other things on their plate too, so that gets to be difficult and very stressful.

I think I missed psychometrists. We did lose 3.5 psychometrists. These people do the assessing for learning disabilities, for at-risk children. In the past they used to do some consultation, and that has been lost as part of this puzzle.

As well, there were speech assistance resources available before, where the speech pathologists could give their programming to these assistants to be carried out. Again, that is gone, and it goes into teachers' hands, which again expands their jobs.

1450

We took a survey and have bulleted various concerns and comments within the brief. You will notice that they are not all specific to my PSSP bargaining unit, because we are not isolates. We impact, and the kids impact, on a whole variety of things. It impacts on what the community mental health agencies have available for us. All of that is one big package. So you will see comments that aren't totally specific but do have influence.

Since amalgamation, we still have the same number of children, with maybe even greater problems than we had before. Across the system, my membership sees increasing difficulties with behaviour, increasing social difficulties in the home and in the community. In my job is a psychometrist, and when I assess kids, I see that the depth of learning difficulties these children are presenting is greater. Hence, I would like more time to delve further into those assessments rather than having a set number that have to be accomplished. Sometimes you feel that you have a choice. You can give a quick-and-dirty, which I don't like and I don't do, or you take the time and then you run and burn your own little candle at both ends, as it were, to try to cover that base for the children.

Some of the things my members are seeing are an increasing number of parents who now complain that their children aren't getting what they perceive to have previously been in existence in terms of individual, one-to-one, specialized programming. We are seeing that shifting. We are seeing many more disturbed children and a real reduction in the community services available to help with those mental health issues. We have children who set fires in schools, who abuse and bully other children, and we do not have community resources to handle those mental health issues. So it comes down to our three psychologists covering 40,000 students.

I am sure you have heard endlessly about the increase in class sizes. From my point of view, I have students who are overwhelmed by large groups or maybe can't process auditory information. So a large group gets even more diffuse and they really can't hang on to what is being said. They quickly get lost in the woodwork of a large group, and that's something that can't be picked up because we have lost that one-to-oneness we were able to provide in the past.

Attendance counsellors, for us, are a big concern. As I said, we have three who cover a large territory. I think

the frustration for them is that they find they've gone from being able to be proactive to just being able to cover the bases. I was talking to one today and she was telling me that the piece she missed most is that transition when kids go from grade 8 to grade 9 and don't arrive in grade 9. They're not there. Where did they go? They don't have the time to go back into the woodwork to try to find that child and see where they may be. Are they on the street? Did they not make the transition? That kind of issue.

They can look at the major things, when a child has missed 15 days, which I understand is the important number, but they aren't able to pick up the kid who misses four days a month or two days every week or that kind of thing. That is a pattern which, if someone could take them for coffee or a sit-down, you might be able to work through a little personal thing and get beyond that.

Teachers as mentors: As we all know, teachers have a huge impact on children. The time they can spend with a child on a very informal basis can be far more valuable than me going in with my wonder box and trying to come up with some reason why the child is not learning. By virtue of the stresses we are seeing these teachers under, with extra paperwork, credentials, criteria and all that kind of thing, which are needed in part, so much at once, has reduced that mentoring time that they might have had. We as a group see that as a loss to the system.

For our own PSSP staff, we're very frustrated. We feel we're constantly running—nobody really eats lunch; we eat on the run—and there are huge distances involved, all of which sounds a bit whiny, but that's not the design, please. The design is that we would much rather be working with a child and we find that's compromised sometimes.

Maybe, Joan, you could add some from your PSSP groups, please.

Ms Jardin: I certainly want to echo everything that Heather said about the cuts to professional student services personnel. In the Limestone board, we've also had cuts. Sorry, I don't have a handy, nice chart, but trust me that they've been cut about 30% in the last couple of years, which is not the best for students.

I want to also follow up on the travelling time. Once again with the rural schools, with the large school boards—our Limestone board is a very large board; of course it's almost puny compared to the Upper Canada board—we have very few professionals who are going from school to school, and a lot of their time is being spent in the car as opposed to with students because there are so few. That certainly is not a wise use of money and is certainly not good for kids when the professionals are in the car for a large part of the day.

The one difference is that we have what are called adolescent care workers in the schools, a little bit like the behaviouralists. We actually have maintained one per school, but that is definitely a cut. The adolescent care workers provide much-needed connection. If a student needs a social agency, when there were social agencies—actually there still are. They're just harder and harder to find and therefore actually adolescent care workers are

very good at making connections with the agencies that might be helpful for the students.

Also not only increased class sizes but those ISA grants, the recent word or the recent release was that they will be a little bit more open, but they have been strictly dedicated to providing EAs, and really the ISA proposals are taking a lot of time from the professional student services personnel to write up. They are very large in paperwork and what they not do is provide a big-picture response to the needs of the students.

Of course teachers and PSSP staff are spending a lot of time doing that. There seems to be almost a lottery on which student does actually get the grant and it's, "I can have more paperwork than you and therefore you might get it," so it is incredibly time-consuming and not as beneficially used in the big picture. I certainly hope the money continues to be put in and more and more money be put into the needs of the ISA students.

Thank you very much for the opening of that envelope, which is really very important, meaning that it's not as targeted as it was before, but of course we have yet to see the real regulations involved with it to see what it is.

Just to continue on with the ISA grants, with all the work from the PSSP to do that, unfortunately some students who really need it are not sufficiently identified, probably and mostly because there isn't enough time to do all the paperwork that's involved with it. That's really a great difficulty. We have to make sure the students are getting the programs they need.

Once again, the cuts in teachers and cuts in administration—administration actually does help out in the school and when you cut them, it adds to the whole difficulty.

Ms Wells: Thank you, Joan.

The Chair: Does that complete your presentation?

Ms Wells: Just a couple more comments. I think we need to constantly keep in the forefront of our minds these children. Have we given up on them? Where are we wanting to go with them? Do we care about their emotional, behavioural, social support systems? How do we see that fitting into the big picture?

Ontario has made many advances in raising the levels of education and literacy over the last 30 years. A great deal of the success has been due to the efforts of non-teaching professionals, and we would like to see that continue and be built upon.

1500

I don't think we want to go back to the days when troubled young people were automatically marginalized. We don't want to pay the social and economical costs down the road, and I ask you to keep that in mind. When you look at your next budget, I hope you will also keep us in mind and remember our children and their troubles and the challenges that we wish to address to help them.

I'd like to recognize the director of education for the Upper Canada District School Board, Mr Gino Giannandrea, who I understand is with us today, and I do thank him very much for being present at my presentation.

Are there any questions?

The Chair: We have approximately four minutes per caucus.

Mr Arnott: Thank you very much for your presentation. I found your ideas and your suggestions to be very interesting. This is a perspective that I don't think has been brought forward to the committee as of yet, the particular point of view of the non-teaching professionals. I looked at this graph that you provided on page 2 very carefully, but I wanted to ask you this one question first of all. The government has created, through its new funding formula, two broad categories of spending: One is classroom spending, as you know, and one is non-classroom spending. Which category do you fall into?

Ms Wells: I would think non-classroom spending.

Ms Jardin: And in-classroom.

Ms Wells: A little of both?

Mr McEwen: Yes.

Ms Wells: My more experienced colleagues say a little of both.

Mr Arnott: I don't feel so bad. I thought I should know the answer to that—

Ms Jardin: A little of both. It's quite a complicated funding formula.

Mr Arnott:—but it's more complicated than that.

Mr McEwen: The real problem is for students with difficulties. The student with difficulty has to be there before the process to generate the money begins. That's highly inefficient in that in a board of our size you would expect that there will be a certain number of students with a certain set of difficulties, and therefore, one ought to presume that you will need people with the kinds of skills that are required to treat them. But the cart is, if you like, before the horse.

Ms Jardin: I might just clarify that there is a foundation grant per pupil. However, my understanding is there are about nine lines in the funding formula considered inside the classroom and there is paraprofessional and student support as a line separate from the foundation. I'll also give you, though, that throughout each of the lines there are various aspects that are to be allocated towards special education and, as I said, the ISA grants. That's a separate line.

Mr Arnott: So the school-based educational assistants, for example, would be considered paraprofessionals; is that correct?

Ms Jardin: Educational assistants are not one of our bargaining units at this time.

Mr Arnott: Oh, OK.

Mr Gerretsen: At this time.

Ms Jardin: I think that might be just one of the things, how we can work best for the students in that way.

Mr Arnott: Yes, because certainly the government wants the kinds of services that you perform in the schools to be adequately funded. I think that's a fair statement to make. The fact that you used to have 42.5 positions and it's been reduced down to 20, you say that this is before and after amalgamation?

Ms Wells: Yes.

Mr Arnott: Does it coincide with the funding formula changes as well, or was it due to amalgamation primarily that these positions were reduced in number?

Ms Jardin: You can't separate them.

Ms Wells: I guess I really can't answer that adequately. I don't know the funding formula. I do know there's been a reduction in staff. I do see the impact in the schools. It would take someone else with facts.

Mr McEwen: I regret I did not look at the variance table this morning as I had planned to. The variance table is the one where you find out whether the board has spent as much as the funding model allowed. I am aware that the board, in its approved estimates, admitted to spending less in every single classroom category than it was allowed to. But I did not specifically look at this one, so I'm sorry, I cannot answer that question.

The Chair: Thank you very much, Mr Arnott.

Mr Gerretsen: I think the last four minutes completely indicate the absurdity of trying to separate funding between so-called classroom and non-classroom funding when the government members themselves—and I've got the highest respect for Mr Arnott. He's what I would regard as one of the more progressive government members there. If he doesn't know—and I certainly don't intend to take a shot at him or anything like that.

We have school boards with elected people, the trustees etc. They are run by competent administrators. Why don't we let them decide what is in the best interests of their children in their particular areas. To artificially say, "This is classroom funding and this isn't classroom funding"—and nobody seems to know exactly what fits where—leads to all sorts of useless time and energy that's been wasted rather than just looking at it as a whole, which is surely what we want to end up with in the long run.

One thing that your chart—and that's really what I wanted to comment on—clearly indicates, something that the minister has been denying in the House for the last year and a half, both before the last election and after the last election, is the notion that the non-teaching professional staff in the school boards have not changed at all, that there hasn't been a decrease. We've brought to them example after example where this has happened, and you've clearly indicated that in your board the net result is that there's been a 50% reduction in the non-teaching professional staff. Regardless of whether it's due to amalgamation or to funding cuts, that's the net effect. Those people are no longer involved for roughly the same number of students who were there two or three years ago to help them in their non-teaching-related activities that the students may be involved in or for the needs they may have. Is that standard within the other districts as well, as far as you know?

Mr McEwen: Precisely. It's more than 50%. We are presently—"we" being one of the groups that I belong to—analysing this. I do not have a definitive answer but that is my impression. My colleague from Limestone spoke of a 30% reduction; we're talking about a reduction of approximately 55%. There's a range for you. Let's hope we don't find anybody who's outside of that.

Ms Jardin: I'd like to combine the last two questions in that I think it's a very important point to make about what, by the funding formula, is inside the classroom. Apparently, heat is not inside the classroom, and things like that. Certainly with amalgamation, just to echo that, our PSSP has been cut back quite a lot, the point being made that you can't separate amalgamation and the funding formula because it was all done at the same time. I do believe strongly that our board is trying to provide the very best that they can within the funding formula. Therefore, if there's been a cut, I have full confidence that it's because the funding formula is not adequate to what it was before.

Mr Christopherson: I very much appreciate your last comment, because far too often in all of our communities we see major battles going on, pitched battles, either between school board trustees and teachers, school board trustees and parents. In the case of my home town in Hamilton, we had the HSR, our public transit bus drivers, at battle with the regional councillors and none of them picked the fight. It was Harris who picked the fight by cutting the transfer payments that set up this scenario and yet within the community it was always the local folks fighting among each other.

It's really positive and helpful when you acknowledge the fact that sometimes people are making decisions you don't support—you wish they'd make other decisions—but you don't think they're being evil and don't care about the kids and that they're not doing this because they don't believe or support.

I also want to touch on the issue of the classroom spending. Government members have got a lot of nerve asking a question about this, because we all know that whenever government members talk about education they're very careful to say "classroom spending." That is deliberate, because they've eliminated so many things from classroom spending that all they have to do is increase the few things that are left in that category and they can accurately, although deceptively, say, "We've increased classroom spending."

You mentioned heating the classroom. Hydro doesn't count, transportation doesn't count, cleaning the classroom doesn't count, maintaining computers and upgrading them etc doesn't count. There's a whole load of things that affect schooling that they've cut out of that category. They've slashed those budgets and then increased the couple that are left over, and this is the shell game they play here.

I want to ask a quick question, if I could. I suppose one could say I should know this, but I don't. Behaviourists, psychometrists and psychologists—you mentioned that you're a psychometrist and that you do assessing for students who are at risk. How does that differ from psychologists and behaviourists? Exactly what do they do that's different?

1510

Ms Wells: A psychometrist does testing for learning disabilities to find out why a child isn't learning properly, what we want to do about it, to look at programming, that

kind of thing. A psychometrist has to work under the auspices of a psychologist. The psychologist would have to approve my work before it is then transferred to parent and school. The psychologist as well would be able to do in-depth counselling, that kind of thing.

A behaviourist is someone trained in behavioural management, and so a child in the classroom who constantly is in difficulty would come to the attention of the behaviourist who would go in and set up programming to try to mould that behaviour to make it more socially appropriate within the class, to try to find out why they are kicking their neighbour—or whatever the child is doing—for the child's benefit, for the classroom benefit, that kind of thing.

Mr Christopherson: I think it was you, Joan, who mentioned existing community agencies. The community mental health agencies are referenced in the document. What sorts of things beyond community mental health agencies are you as educators reaching out to when you have children with special needs, and in the past finding that help?

Ms Wells: We find that hospitals, vision and hearing clinics, that kind of thing, where you used to have maybe a three-month wait—if when I'm doing an assessment I discover a child has some neurological issues, it might be that we refer to CHEO or Kingston General or something like that. The wait at that end has become so long that it gets—

Mr Christopherson: For example, the three months has now become what?

Ms Wells: Six, a year, something like that.

Mr Christopherson: A year? And what age children?

Ms Wells: All ages. It's just the impact of—

Mr Christopherson: What happens in the interim to that child who needs the special help?

Ms Wells: The child is in the class and people try very hard and actually do a very good job of trying to program and accommodate the child. The real concern for the staff is, are we doing the right thing?

Mr Christopherson: Because you're not the experts.

The Chair: On behalf of the committee, thank you very much for your presentation this afternoon.

Ms Wells: Thank you. I appreciate your time.

LOYALIST COLLEGE

The Chair: Our next presenters this afternoon are representatives from Loyalist College. Could you please step forward and state your names for the record please.

Dr Douglas Auld: Douglas Auld, the president of Loyalist College.

Mr Wendel White: Wendel White, a governor of Loyalist College.

The Chair: Good afternoon and welcome on behalf of the committee. You have 30 minutes for your presentation.

Dr Auld: Thank you very much. We appreciate the opportunity to meet with you this afternoon.

Let me start off our presentation by saying that in a perfect world there would be sufficient resources for a college education to provide quality education for every qualified student without the student having to take on excessive debt in getting that education. But we don't live in a perfect world. We have a lot of competing demands. I'm sure that everyone here in this committee realizes how competing those demands for public funding are. Those competing demands of course have resulted in, as we all know, increasing student debt as students attempt to gain a post-secondary education, which is so important in the world today.

In eastern Ontario, and certainly in the four-county area that we serve to a large degree, this is even more burdensome by virtue of the fact that the average family income in our area is considerably lower than the provincial average and our unemployment rate is higher than the provincial average as well.

There seem to be two approaches to solving this particular dilemma. One is to provide additional funding on the operating grant side on a per-student basis which would then allow our college, for example, to freeze tuition fees. That would reduce slowly but over time the amount of debt that students would have to incur.

The other solution of the problem is a little more creative and innovative, and I will ask my colleague to outline that approach.

Mr White: Thank you for the opportunity to make this presentation. I would add at this point to the handout you have that the creative solution or the proposal here is modelled after the state of Georgia, where they have in effect and in use the Hope scholarship program. To date the Hope scholarship foundation or the scholarship in the state has benefited 457,000 students in the state. What is more glaringly obvious for the state of Georgia is that it has benefited the economically disadvantaged of that state and made college education or university education more accessible via providing a performance-based program for students who achieve a B or B+ average in the state. When they achieve that performance, then they are eligible for a scholarship from the state. That scholarship covers tuition fees, books and other related costs.

The story here is that it's an attempt by the state of Georgia to make college and university education accessible. What I wanted to also point out is that it's a legislated program, and that being the case, it does not get altered by politics. It's also part of the mandate of the Hope scholarship that it supplement, not supplant, the present funding that the state provides for education. These are funds that are available to students over and above what the state budgets for education. As well, they've expanded the program of their scholarships to include pre-kindergarten.

Probably for me one of the most creative things about the Hope scholarship is that it's providing an opportunity to educate teachers as well and that the state is demonstrating that education is important. "It's so important that we're going to provide and find opportunities through an existing management program"—thus the

lottery corporation—"to fund teachers for post-graduate work and training."

That is basically in a nutshell what the Hope scholarship does and the impact it's had on the state of Georgia.

I also want to make one other observation for you. Presently, the Ontario Lottery Corp, through Super Bingo, also designates three charities through which it funnels money. To be honest, I have no idea exactly what charities they are, but I know the funds they give to those designated charities are a significant sum of money. Given that that structure is in place, I think it's a perfect fit for an idea such as this.

The Chair: We have approximately seven minutes per caucus. I'll start with the official opposition.

Mr Kwinter: Thank you very much for your presentation. I just want to give you a little bit of background for my comments. In your particular submission, you say: "Ontario is no stranger to lotteries. Hundreds of small community arenas and community centres were financed by the first years of the Provincial lottery." The background on that, just so you'll know, is that prior to the provincial government getting into the lottery business, there was a huge, huge resistance on the part of the people that this was a form of regressive taxation. You're holding a lottery and you hold out this prize—and all you have to do is take a look at the casinos. They generate billions of dollars to the province.

The problem that was evident at that time was that the Irish Sweepstakes was available and people were buying tickets to the Irish Sweepstakes; that money was leaving the province and the province felt that was money that could usefully be kept here, but how do you bridge the political problem of getting into the lottery business? The way it was bridged was to suggest that the proceeds of this lottery would go to community activities and sporting facilities, recreational facilities. That was the justification, but the actual intent was to stop the flow of money to the Irish Sweepstakes. After a number of years, when every arena in Ontario had a new roof and they really had no place to put the money, it reverted back to consolidated revenue, and that is where it is today. This money goes in and basically it's a way of getting revenue for the government.

1520

In 1995, Mike Harris stated he was opposed to casinos. When he took a look at the monies that were going to be generated, he suddenly had a conversion. We now have lotteries and charitable casinos and casinos in places like Rama, Niagara Falls and Windsor, and more charitable casinos are going to be emerging and we have video lottery terminals on the horizon, all these things, and they're all meant for one purpose and one purpose only: to generate revenue and to offset problems we have balancing our budget and reducing the debt, all those things.

The reason I am giving you that background is that over the years virtually every group that has had a financing problem has come to the government and said, "If you would only let us run a lottery, we would solve our problems." Your presentation is not new at all. As I

say, it has come forward from many groups that want to do that. As a matter of fact, the Princess Margaret Hospital runs a lottery, the Hospital for Sick Children runs a lottery—all sorts of groups run lotteries. You get to the point where you have to decide: Is the total economy going to be lottery-based or is there some reason why, for social reasons, for economic reasons—every time you have a lottery you drag money out of the economy. Monies that go to the lottery and then go to, say, the consolidated revenue fund, take away monies that are community-based, where you get the added value, you get the spin-offs and all these things.

In theory I understand exactly where you are coming from. In practice it is very, very difficult. What happens is that the community college is going to have a lottery. Then another group comes along and says: "What about the opera? We want to have a lottery." Then the ballet says, "If the opera's got a lottery, we want to have a lottery." Before you know it, every organization that has the greatest intentions wants to have a lottery and then it becomes counterproductive. Because you have so many lotteries and there is only so much discretionary disposable income, you have a problem.

The reason for giving this background is to say that this is not a new approach. It has been presented many times by many organizations. Maybe you know why, in the state of Georgia—I don't know whether they singled out community colleges. Have you done any investigation as to what other endeavours are funded by lotteries in the state of Georgia?

Mr White: If I could speak to that, the only program we have really looked at in the state of Georgia was the Hope scholarship, because it dealt with education. But as far as the rest of what the GLC is doing, I don't have the answer to that question.

But at the same time, if I may, the whole issue would probably never arise if there weren't actually a disaster afoot related to the amount of debt students have. Certainly one would have to take a look today—and you had it at the front door of your Legislature last week—at the number of young people and the number of families out there in distressed circumstances related to the whole issue. Dr Auld and I probably would not be sitting here in front of you if this were a perfect world, if this were a great situation in the province. But it's not. The funding situation related to colleges is a disgrace. As a parent, I say that to you. As a governor of a college, I say that to you. It's a disgrace. I would not be here saying that to you if that were not the case, or suggesting the use of lotteries, which I myself don't like. However, trying to be creative about how we solve a real, unconscionable situation in this province related to students' debt and how we reward excellence of students I think really deserves a lot of attention.

Mr Gerretsen: Would you agree with me that we'd have to have, if we were to implement what you're suggesting, something in place to ensure that the province wouldn't do what it's currently doing with the Millennium scholarships that have been granted to students

whereby the money is taken right from the students and the students don't benefit from it at all? In some cases they're no better off and in some cases they may be better off as far as their overall debt load is concerned somewhere down the line, but it doesn't help them right now.

Would you agree that if anything like this was even contemplated, we'd want to make sure that this current government wouldn't be taking those kinds of steps that they're doing with the Millennium fund right now?

Mr White: Certainly, if you're going to talk about the Millennium fund, the whole issue around taxing the money is significant for students. Basically, it is an interesting concept, but the whole tax issue for students is one that really needs to be examined.

Mr Christopherson: Thank you for your presentation. Let me say at the outset that I agree very much with my colleague Monte Kwinter in terms of his concerns. I won't repeat those; I think he articulated them very well.

Do you know what I worry about in this, given that I share that viewpoint? I worry they'll do it.

Mr White: That's a good thing.

Mr Christopherson: I was going to say I know that you'll see that as a good thing, and in the short term it is, there's no question, if it's going to take some of the pressure off. In the long term, though, it's just a time-delayed disaster. It's still a disaster.

The real answer to this is, if there weren't the kind of cuts that are going on and if there weren't the deregulation of tuitions, we wouldn't have this problem. We've always had disagreements in our society about tuition levels and what they ought to be and what they ought not be, but we've never been anywhere near where we are now and where we're heading. It's worse.

I worry they'll do it, because I don't think in the short term they're prepared to change their priorities from giving more tax cuts to the very wealthy, who quite frankly don't need it, and put the money into education and health care, which are the top two priorities. All they have to do here is stickhandle the politics of the charitable groups, the small-p politics within those groups, who will say, "We're quickly reaching saturation; there are only so many tickets you can sell." If they deal with that, they don't have to put out a dime to help make you folks go away, which is what they would like you to do.

They know the problem's there. I even think there are some individual members who are really bothered. I watch some members, particularly when people come in and talk about children and how they're being hurt, and I know they're uncomfortable with some of these things. Yet at the end of the day this is an easy solution. It's not the long-term solution. There will be a fair degree of disparity. We're already seeing now fundraising events going on in elementary schools, high schools, and whether you're raising \$60,000 or \$5,000, it depends on whether you're doing it in downtown Toronto or whether you're doing it maybe in Markham, where you have one of the highest per capita incomes in the country. The fact is that the areas that can generate the most money to pay for school books, which are no longer being paid for

because of the changed funding formula, are the ones that need it the least. They've already got enough parental support, home support, that they are able to manage the cuts in the education system and the lack of supports better than families that don't have. And yet when it's time to go out and get money to buy books, which is a scary reality for us to be in, the ones that can most easily do this are the areas that are already most capable of dealing with, as best they can, some of the cuts that are coming.

I don't have any questions. I'd like to give you a chance to respond if there's any of my time left. But I did want to be right up front and say to you that I know that you want them to do it and that it would solve your immediate problem. I worry, though, that they will do it and that it'll solve it in the short term and then we've got an even bigger problem in the medium and long term. The only real answer here is to adequately fund our post-secondary education systems, full stop.

The Chair: Comment?

Dr Auld: I'm not sure what the question was.

Mr Christopherson: No, there wasn't one. I just said I'd give you a chance to respond in case you disagree or—

Dr Auld: On the question of the short term versus the long term, we could spend a lot of time talking about the difference between them, but if we take the short term as even being a few years, I think we're in a situation now where the accumulated mounting debt, in particular in communities like ours, is now becoming a significant deterrent to higher education, particularly in an area which has a less-than-average participation rate in higher education because it has a less-than-average income level and a higher unemployment rate. This is a major concern of ours.

When we look at this, if it's over a five- or 10-year period and something else is put in differently and along the run, the fact remains there are now sanctioned lotteries in Ontario and people will be involved in lotteries. What we've indicated in our proposal is not necessarily the launching of a new, complicated lottery, but either the possibility of diverting existing lottery funds into something we believe would be of enormous social value, economic value, personal value, in our community, or, if that's not feasible, let us run a lottery in our own community for the purposes we have stated; in other words, to provide scholarships for motivated, qualified students so that they can spend two or three years at college and not walk out the door \$20,000-plus in debt.

1530

Mr Christopherson: Would you want to fund our hospitals based on the vagaries of lotteries?

Dr Auld: You already are. You're doing it.

Mr Christopherson: I mean a large portion of the budget, growing parts of that. Is that where we really want to be going? That's what worries me. Right, we already do, and probably more than we should. Governments down the road of all political stripes—if it's being taken care of and adequately being looked after through

lotteries, the odds of a new government coming in and saying, "We're going to rejig the finances to do this differently," is not likely to happen.

Dr Auld: Let me respond to that one. We just finished a capital campaign at our college. We went out and raised money from the private sector. All colleges have started to do that and universities have been doing it for eons. One of the really positive things about going out and fundraising, whether it's knocking on corporate doors or raising money from foundations or selling lottery tickets for scholarships, is that you're arguing the case of your institution. You're creating awareness and knowledge about the value of post-secondary education. As one of the co-chairs of our campaign said, "The best thing about the campaign you've just finished here at Loyalist College is there's a much better understanding of the value of college education in the community."

Similarly, if a hospital is selling lottery tickets, when a person buys a lottery ticket they say: "What's this for? How is the hospital run?" I think there is some value in that kind of fundraising. Whether it should be 10%, 20% or 50% of the gross revenue of an institution, I have no idea, but in this particular proposal we're making we're not talking about a significant proportion of the total cost. We're talking about just enough to take the edge off the high burden that students are suffering today.

Mr Christopherson: I'm just so saddened that you're so excited about the prospect of a lottery taking care of something that just a few years ago was properly funded. They could also use more money, but we didn't have this kind of crisis. It really worries me and disturbs me that you find yourselves in this position because of the reality you're in and where that will take us. I've been around long enough at different levels of government to have a really sickening feeling in my stomach about what this is. I agree with earlier presenters who said that the government wants the public education system—this is more secondary and elementary—to deteriorate, they want the health care system overall to deteriorate, because then people are more open-minded to the idea, "Here's a choice for you," you know, the great democracy card, "This is choice and now you can buy private health care if you want more, or you can send your children to private school and get away from what's going on in the public schools." It's down that slippery slope, and here's a reflection of that, in my opinion. You wouldn't be here suggesting this if we were back six, seven, 10 years ago in terms of the kind of funding that you were receiving versus your needs and those of the students.

Mr Galt: Thanks for coming with your presentation, especially after I heard you making a few comments I guess about a month and a half ago or thereabouts. I appreciate your journeying down on a rather slippery road today.

Just hearing from the opposition, it's obvious that we have had—and I'm thrilled to hear it—10 years of a perfect world, and as a result of that perfect world the deficit climbed at a phenomenal rate and the debt doubled in the first half of the decade. Then they talked

about the shell game. I'll tell you what the shell game was all about. Back in the late 1980s the Liberals bragged about a balanced budget, and I'll tell you that was a shell game.

Interjections.

The Chair: Order. Only one person can speak at a time.

Mr Galt: Then in the beginning of the first half of the decade we had a government that had two sets of books. If you want to talk about a shell game and playing games—

Mr Christopherson: We didn't hurt kids.

Mr Galt: —when you have two sets of books—

The Chair: Let's have some order, please.

Mr Galt: —that is indeed a shell game and one you played very effectively until we came to office to find out what in fact the deficit really was. There's just no other way around what was going on.

Something like the Millennium fund was made reference to a few minutes ago. Any savings from that are certainly being reinvested right back in. I heard Mr Kwinter making many comments about how many times we've heard it. This is the first time I've been on the committee. It's the first during these hearings that we've heard of this kind of approach with a lottery to help students. Congratulations to you for the idea. I was just checking with my cohort sitting beside me, Mr Arnott, who's been on this committee before and he has not heard of this type of a presentation before.

I'm coming around to ask a question. It has sort of come up before, but is there room out there in the lottery community? Would one fly at a significant level? How much room is there out there for one? I don't have a feeling for that.

Mr White: Do you mean at the local level?

Mr Galt: At the local or provincial level that would support this philosophy. Have you carried out any investigation into that?

Mr White: The short answer here is no. I'm of the belief that knowing what the general public knows about debt, regardless of what political party we're talking about here and regardless of the significance of the debt that students carry—the projected costs of education in the future, I recently read in a Canadian magazine, in the next 10 years would be \$60,000 for a four-year degree program—I think that there is significant support, if marketed properly through the OLC, that such a lottery would work and would not supplant present educational funding in the province.

It would reward excellence in education, and there is nothing wrong with that. We do it every day in business and in other enterprises. We reward people for excellence. The example in the state of Georgia is highly recognized. Out of the 37, I believe, lotteries functioning in the United States, it is highly touted as the most successful one because of how it targets its program. So yes, I believe it would be.

Mr Galt: You make reference to student debt. Add to that another \$20,000 for federal debt and another \$10,000

for provincial debt, another \$30,000 on to what they come out of college or university with, and they've got quite a load on their backs.

Mr White: May I also add too the cost of managing in excess of some \$500 million in defaulted loans? What's that cost the province? I'm not saying this is perfect. I'm not saying this is the absolute right thing that a person in his normal mind would really want to do. But the reality here is that there are people in need, and we as a college are saying that we want to help. There's a mechanism in place. It's in place in your government. Why can't we make it work for education?

Mrs Molinari: Thank you very much for your presentation. Since this committee started meeting and hearing presentations, I don't recall one coming forward that wasn't specifically asking for money, but this one's coming up with ideas of how to generate money which I think are good and need to be explored to a certain extent.

You talked about the amount of debt and you referred to it as a disgrace. I agree that student debt is a real issue. We've initiated a number of initiatives to assist students who are in debt. But just for the record, it needs to be made clear that more than 50% of students graduate without any student debt, so it's not as bleak as it appears because there is a good portion of students who actually don't have the escalating debt.

Also, I want to congratulate you on your work that you do in colleges, because the enrolment has been increasing constantly. I think that says something for the kind of work that you do in the local community colleges across the province. In all the post-secondary institutions enrolment is increasing, so students are saying that there is a real benefit to post-secondary education. Although there is tuition to pay, a shared responsibility between the student and the province, in the end that student will be better off for having sought post-secondary education.

I don't have any specific questions. I just wanted to congratulate you on your presentation.

1540

Dr Auld: Could I make one comment? The long-term solution that was referred to over here—it's not a 100% solution but part of the solution—is a totally seamless federal-provincial system on a student loan basis that is based on an income-contingent repayment plan. I know that people at the provincial level here have been trying to work at that for a long time, and I know you have some problems with the federal government on this. I was part of a major conference three years ago.

Once you get a student loan scheme that is tied to the taxable income of the individual and you develop a scheme like that, which is far more equitable, which allows people—for example, take graduates coming from colleges and universities. We have graduates who are going out and doing some of the most important work in this province, and that is working as early childhood educators. Do you know what they get paid? Some \$12,000 to \$14,000 a year. Then we have graduating electronic engineering technologists starting at \$40,000

to \$50,000 a year. One of the unfair things about that is it costs those two people exactly the same to go college, right? So if you have in place an income-contingent repayment plan—which is a long, long-term goal of mine that I have been arguing for for 10 years—then you allow a much more equitable and fair way.

Maybe this lottery thing doesn't have to be around forever, maybe for the next five years, until this income-contingent repayment plan is in place and working. Maybe this is a way that we can stop the acceleration of student debt by providing some funding, either at the local level through a lottery or at the provincial level, until we get a better solution. I agree that this is not the best solution. There is a better solution, and I certainly encourage the province of Ontario to work very hard with the federal government to bring that plan to fruition as soon as possible.

The Chair: Gentlemen, on behalf of the committee, thank you very much for your presentation this afternoon.

ONTARIO SECONDARY SCHOOL TEACHERS' FEDERATION, DISTRICT 26, OCCASIONAL TEACHERS' BARGAINING UNIT

The Vice-Chair: I call the next delegation forward: OSSTF District 26 Occasional Teachers' Bargaining Unit. I see some familiar faces. Could you state your names for the record. As you have heard before, a half-hour for presentation and responses from the three parties divided up, the remainder divided up three ways.

Mr John McEwen: As we say in some parts of eastern Ontario, plus ça change, plus c'est la même chose. My name is John McEwen. With me are Greg McGillis and Joan Jardin, who you have seen before. We appear today on behalf of the 200 teachers who are members of the Occasional Teachers' Bargaining Unit. They of course replace regular teachers for illness and other matters.

I thank you very much for permitting me this opportunity to appear and be heard. Such opportunities are part of what I believe is something quite necessary to a democracy: a dialogue between those who are governed and those who do the governing.

I have to begin with a confession. I am not yet president of the Occasional Teachers' Bargaining Unit, although he would like me to be. At present, I am a classroom teacher. I have responsibility for science and math. I am a parent of adult children. I have had a lifelong interest in school-to-work transitions. I am currently on the Eastern Ontario Training Board. Frankly, you are going to hear all those perspectives. I'm bringing all those persons to the table, along with my two colleagues.

I'd like very quickly to go through the numbers. It should be quick because you've probably seen them all before. Last spring the government announced that it would spend \$13.25 billion in allocations to school boards, or \$6,600 per pupil. That amounts to 3.5% of the

provincial gross domestic product, as it was known in the spring. That is the lowest percentage since I started tracking in 1991, and the percentage devoted to this investment has been dropping steadily since 1992.

I do various comparisons. I'm the person who does the annual ranking of Ontario in North America, just in case you want to know where to send the letter bomb. In the process of doing that I have discovered that again this year Ontario ranks 55th in North America, and I have a small chart that shows we have been declining steadily in that regard in comparison with other jurisdictions in North America since 1992. Further, when this jurisdiction is compared with other provincial jurisdictions, no other jurisdiction in Canada on a year-over-year basis, or on an eight-year basis, has had as severe a reduction in real per pupil expenditures.

Does this matter? I guess I wouldn't be here if I believed it didn't matter. Money does matter. It provides up-to-date texts and learning materials, it can be used to lower class sizes and it can provide specialized instruction for those who require it. Money helps provide teachers with time and resources to be effective. I teach 15 minutes away from the New York state border. I am familiar with the practices of my colleagues in upstate New York. They have higher salaries, better teaching loads and better working conditions. Their students have access to better facilities, additional learning materials, richer educational experiences and more special support. These things confer advantages on their students that my students don't have. But frankly, ladies and gentlemen, this is not about the fact that we don't have the resources they have in New York state. This is about the fact that we don't have the resources we used to have.

I'd like to take you through the first bullet. I'm responsible for science and math. Each and every one of my science teachers teaches in a room with 28 seats. Each and every one of my science teachers has a class with more than 28 students in the room. I have two: one with 29 and one with 34. When I attempt to do a lab, I have to be very careful. Open flame is out, and heat and reactive materials are out, because they provide a very real risk to the students and the teacher. As a consequence, there are parts of the curriculum that we simply can't offer because it's too dangerous.

Departmental budgets are two thirds of what they were 10 years ago. I can barely cover photocopy costs and the tax I pay to the principal for central office functions. I have a list of things that this has meant. For three years now I've taught a course without a textbook. I can't afford to buy it. When my teacher colleagues heard I was coming, they said, "Bring some textbooks to show them." I failed to do that. Most of our textbooks are rags, and our students have to rebind them very carefully. When I come to presentations like this, I steal the pens. I picked up this pencil and you're not getting it back. I have a whole drawer full of pens I've stolen from conferences that I use with my students.

Once there were two of us who had oversight of math and science. Now there's me and I have no time for it. I

have two brand-new departments; that is, everybody is younger than I am, they all need mentoring and they're all struggling with this new curriculum. Frankly, the resource is not there to do the kind of job that was done for me.

Joan, you wanted to say a bit about department problems, didn't you?

Ms Joan Jordin: Yes. Certainly the new curriculum—and I have a great deal of knowledge of the new curriculum, as I was responsible for a large part of the biology and a large part of the science, so I know a great deal about what the new curriculum means and entails—really requires a lot of extra work for the teachers and certainly for the department heads to provide leadership and support. The difficulty is compounded by the reduction in PD days.

The way I relate this to occasional teachers is that when I started teaching, which was a little bit ago—

Mr McEwen: Not as long ago as me.

Ms Jordin: —we actually were able, because of departmental budgets, because of budgets in schools, given a need, in order to be innovative, in order to really coordinate with other teachers and to enhance what we do in the class, to get occasional teachers in during the school day so that teachers could work together to share curriculum, share curriculum ideas, work on team teaching. The department heads in, I'll say, "the olden days," which means just a few years ago, six, were able to meet and share and have reliable occasional teachers in the classroom so that we could better enhance and better do our job in the classrooms.

1550

Mr McEwen: You have most of this in front of you, and your reading skills are at least as good as mine.

I'd like to focus on a couple of things. First of all, we don't answer the phones at my school any more; there's nobody to do it because of the clerical cuts. That's a security issue, but we can't have someone answer the phone some days. We have teachers who drag themselves in ill because the money for the supply teacher, the group that I'm speaking on behalf of, is not there. They stay sicker longer. They spread their illness to students and to other teachers. Generally, if a class is served by an on-call teacher, it gets make-work, whereas in a class taught by a supply teacher there's a much greater likelihood that they'll get something that's instructionally appropriate to that point in the curriculum.

The current funding model requires that teachers in Ontario teach a greater proportion of the instructional day than any other group of teachers in Canada. The remainder of that time at school is filled with clerical and administrative tasks, supervisory duties, lesson preparing and marking, student assistance, meetings, extracurricular activities and so forth. Not surprisingly, the teacher day is intense and long, and there is little time for that most necessary of activities, quiet reflection and creative thought.

Understandably then, I read the Stats Canada statistic that says Canadian teachers experience the greatest

amount of overtime of any employee group in Canada and realize that the teachers in Ontario are probably responsible to a great extent for that average.

We teachers try to make things work. As a result, when resources are taken away from us, when materials and supplies disappear and demands increase, we try harder to make things work. I'm spending about \$20 a week, ladies and gentlemen, out of my own pocket. I don't like it. I feel abused. But I am doing it because it's the only way I can keep my program going.

In the long run, this is not a viable solution for insufficient funding. We have reached a point where the continuing or additional resource shortfalls must result in reduced services, no matter how strong the desire of teachers to carry on and to do the job properly.

I'd like to add some context. We have a remarkably successful education system: 81% of high school graduates go on to post-secondary; 44% go on to university. An Ontario high school graduate is one and a half times more likely to go on to university than those from other parts of Canada. Our graduates are readily accepted throughout North America and the developed world. When I started teaching, 40% of the students made it to grade 12 and 20% made it to grade 13. It's a remarkable change, and the International Adult Literacy Survey shows that in fact there has been a comparable rise in literacy levels in Canada and in Ontario over the same period.

At the same time, we are now aware that good education is more important. I list a set of economic authorities that make exactly that case and the case for investing more money in education. As the demographics are shifting, we are moving into certain skill shortages. In my part of the world, we need to find teachers, we need to find millwrights, we need to find information technology people, and all of these things require either good education or good education and training, and they require the foundation that we attempt to provide in public education.

Ms Jordin: I would just add that there is certainly a teacher shortage in a lot of different subject disciplines. We are having a batch of students graduating from the faculty of ed in the spring, and if we cannot guarantee them a full-time job in the Limestone-Upper Canada school board, it's nice to be able to say that there is sufficient occasional teaching available to keep them in the area so that we know we will be able to fit them in whenever we can. If we are not able to provide them with occasional teaching while they're waiting or applying and working towards getting a full-time position, that really is a difficulty and certainly a reflection of the funding being able to provide for relief time.

Mr McEwen: Make no bones about it, this is a brief that argues for reinvestment in education, particularly at the elementary and secondary level. As I have written, if we fail to do that while others around us are doing exactly that, we will have committed some kind of unilateral disarmament in the economic competition between our jurisdiction and others.

I'd like to close by reading something that is the reason I'm here and the reason I'm still a teacher:

"Teaching is more than a traditional civil service job with a small but steady paycheck. It's more than a new building or a winning team. It's a fundamental commitment to the protection of our children's futures.

"Democracies and free markets rest on the assumption that people are sufficiently well-educated to make informed decisions at the polls and in the markets. A nation's continued wellbeing rests on the civility and creativity of its citizens. Civility is not genetic. Each generation must learn it anew. It must be modelled by parents and teachers. Education reform is as much about relationships of dignity, respect and innovation as it is about systems of bricks, budgets and mortar."

Although there is a slight disparagement of budgets in that quote, I believe that citation is why the community, the government, has to consider reinvestment. The government has taken on an awesome responsibility. It controls every aspect of elementary and secondary education, including how our schools are funded and the levels of that funding. If the government is to carry out this responsibility to assure the continued wellbeing of the province, it must provide for a substantial increase in funds.

Greg would like to close off with some remarks.

Mr Greg McGillis: I recently had the opportunity to speak to some health people who went into a school that had some health and safety issues. They had their usual team that goes into tight or sick buildings go in and simply do the preliminary analysis to allow them to begin to analyze why there was a problem in that school and whether indeed some of the people were getting sick as a result of various airborne contaminants. The jury is out to some extent. Nevertheless, the one thing that did come out of it was that all of them to a man and a woman said they were surprised at the dynamism and the difficulty of measuring. The fact was that any one area of the school seemed almost unique in terms of its ability to either have contaminants or who was there at any one time and what activities were occurring. They hadn't actually been in a school to try to do this kind of testing. They had done testing in almost every other workplace but they had not done a school and they simply had no way to properly measure what was going on in that school in terms of contaminants.

One of the reasons is what I think you see in everything else here. Over the last little while we've had three different presentations from three different bargaining units, and we've had other people involved. The director has dropped by from Upper Canada, and we thank him very much for doing that. But we want to portray to you the complexity of what's happening in our schools, that it's not as simple as cutting one or two budget lines and then you've just realized half a billion dollars in savings. There's a cost to that savings, just like there is a cost to spending the money. Your job ultimately, as you're consulted and help to build the next budget, is to evaluate those costs. I can tell you those costs are already very

high and that the marginal cost of any further cuts would be tragic.

1600

We certainly have found that the twin evils of amalgamation and budget cuts have left us in some pretty tough territory in our school. I'm constantly told that it's necessary to cut money. I'm constantly told by various people that we have to simply tighten our belts.

My brother is an OPP officer, and we began talking about some of my former students who are currently some of his clients. They have managed to find themselves all the way through the system. I did teach a class of particularly difficult children for two years. I was with these students all day and every day; in fact, one of the things we used to do was golf together on the weekend. It was an all-consuming thing and it was an unusual experience pedagogically, I have to tell you. Nevertheless, some of those people are now in custody. That's very unfortunate but what became clear to him was, he said: "Nevertheless, this is what we've got and these are the various new programs that we've got to deal with this. This is how we're dealing with students—or not students, essentially young offenders and criminals. These are the kinds of resources we're able to put behind the effort to catch these people and put them behind bars."

I said, "It would have been nice if you had caught them at the beginning." That's the problem. I quote him now directly, and I hope he's not angry about this, because he's probably going to read this. He's saying, "Mike Harris has been very good to me and Mike Harris has been very good to the police across the province." I'd love to be able to say that and I really can't.

I leave you with that, and I think we're ready for questions.

The Vice-Chair: Thank you very much for your presentation. We have just barely three minutes for each caucus, beginning with the NDP.

Mr Christopherson: Thank you again. We're all getting to be family here. You mentioned textbooks, and I think, and I'm just going from memory, you said there are some classes you're teaching with the new curriculum and you still don't have the textbooks.

Mr McEwen: These would have been classes under the old curriculum. I taught environmental science for three years without a text and I teach any basic level of science at whatever grade without a text. Quite frankly, I find the resources where I can. I just don't have the money to buy textbooks. I have a hit list of students who have not handed books back, and we go after them like tigers.

Mr Christopherson: Did you run into the circumstance, particularly in the science discipline, of having to buy textbooks before you saw the curriculum?

Mr McEwen: That is so. I also had to buy materials before I saw either.

Mr Christopherson: That is such lunacy.

Mr McEwen: If I may say something about those textbooks, after one semester the wear on them is

equivalent to 10 years of wear on my senior physics textbooks. They're not going to last.

Ms Jardin: I just want to add to it, giving a different district's viewpoint. I also am a science and math teacher, and I have been head of both the science department and the math department when they were separate. They both are certainly very unique departments. But there is very little money for textbooks and with the new curriculum it is very difficult in schools, because even if you know that you're going to have a new curriculum in three years, there just isn't enough money now if you're thinking about where you're going to allocate money. In the long term, because we're thinking three years even, it's not worthwhile buying textbooks for those students, so for three years that's going to be a difficulty. It's not just, "OK, next year we're getting new textbooks"; we hope to get new textbooks with the new curriculum, but it's three years in the future.

Mr Christopherson: This is another perk of being one of the double cohort if they're captured within that group.

Ms Jardin: It's with the changing curriculum. As I've explained, I have a great knowledge of the new curriculum in both math and science and there has been some support with the new curriculum. Unfortunately, the fact that we've had a curriculum and this year it's been the present curriculum for 10 to OAC, that's actually kind of been lost in the funding all together.

Mrs Molinari: Thank you very much for your presentation. I've enjoyed hearing the various presentations, although some of the faces are the same at the table.

I just want to first clarify some of the comments you made and then ask for your feedback on how it specifically affected the board you're with, because we're hearing from the teacher representatives and we're not hearing from the actual board about the funding and that there isn't enough money.

The new funding model was to provide equitable funding for all the students in the province of Ontario. The previous funding model allowed more dollars to go to boards which were rich in assessment and those that were poor in assessment did not receive the same dollars for the students. The foundation grant was based on the average per pupil expenditure of all the boards in the province of Ontario.

Granted that some boards were spending below that and some boards were spending above that. Those that were spending below actually got more money for their per pupil. Those that were spending above obviously had to come down. And then there were mitigation grants that were also given to boards to provide for some of the difficulties in reaching that per-pupil spending if they were spending above. I don't have the specifics of how the board that you represent works, but I would like your feedback on it.

Also, classroom education spending, the intent was that more money would be going directly into the classroom instead of being spent in other areas. I know that the issue of classroom spending is still being discussed

and debated as to what's actually classroom spending and what's actually spending that supports the classroom and so directly benefits the student in the long run. There is still discussion on that.

Previously, one of the presenters was talking about special education and mentioned that, from her knowledge, there was less being spent in special education in every category. I would ask why are you not going to the board and demanding that at least the board spend the money they receive for special education on special education?

Ms Jardin: Actually, three parts from that: I do want to let you know that our director of education has written a letter to the government, stating the difficulties with the funding formula and many of the points were incorporated with these briefs. I want to once again say that certainly with the Limestone board it's not the teachers having a different viewpoint or very different from the board.

Something that's very interesting to me is that before what you call equitable funding was put in, I was in a poll. I was actually one of the people who was polled. When I was asked, "Should there be equitable funding, should there be funding for everyone?" I never in my dreams thought it would be brought down. I don't know why. When I was answering the questions I thought, "Yes, let's bring everything up to the highest denominator," and I don't know why. I assumed naively, but that's when I was answering the questions, yes. So "equitable" pretty well means going down. It certainly has been for our board.

You mentioned the mitigation grants. That's been tenuous and from year to year we don't know whether we have it or not. We cannot even make with the Limestone board an imaginary prediction of what our funding is going to be for next year. It's already February and our school year starts in September.

The Vice-Chair: I think we'll have to move on to the official opposition caucus. I gave an extra minute there because you were really wound up.

Mr Phillips: Just a comment first: I've been struck by a couple of government documents that are circulated on Why Ontario is the place to invest and why businesses should be here. The two major reasons are our health care system, publicly funded and accessible to everyone, and our education system. In fact, as you know, this is a document the government sent to us on Why Ontario. It points out: "The United Nations human development program ranked Canada number one in its human development index for the sixth straight year."

What does the index measure? You already know this, but it measures life expectancy at birth, which is how we deal with expectant parents and things like that, adult literacy, educational enrolment and real per capita gross domestic product—four measurements, two of which are educational in nature.

It is odd that the thing that sets us apart, both in terms of a measurement of the quality of life and the two things that apparently are the key reasons why companies

should invest in Ontario, are the two things that are under attack: health care and education. This is as much a statement as a question for you. But we've heard from many of the presenters that we have to harmonize our taxes with the US. The trucking industry believes we've got to have the same taxes on a variety of things as the neighbouring jurisdictions. The high-tech people say we've got to get our income tax down to the same level as the US. I think it was the real estate people who were saying we've got to get our property taxes to the same level. We've got to get our corporate taxes to the same level.

We are under enormous pressure to get taxes to the same level or lower than the US, but the two key reasons why we are unique and why this is the best place in the world to live and the best place in the world to invest can only be funded by adequate resources, from wherever

they come. Tragically, we heard earlier that a college feels we've got to get into the lottery business to fund colleges. We see right now that the government's introducing 10,000 slot machines that will take \$1 billion out of taxpayers' pockets. Every penny of the tax cut is going to go back into the slot machines. It will be different people playing them. That billion dollars is after winnings, by the way.

The Vice-Chair: Thank you very much, Mr Phillips. Your three minutes are up.

Thank you for your presentation. We very much appreciate it.

The standing committee on finance and economic affairs is now adjourned. We'll reconvene in Chatham on February 14 at 9 am in the Wedgwood Room, Best Western Wheels Inn.

The committee adjourned at 1613.

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Chair / Président

Mr Marcel Beaubien (Lambton-Kent-Middlesex PC)

Vice-Chair / Vice-Président

Mr Doug Galt (Northumberland PC)

Mr Ted Arnott (Waterloo-Wellington PC)

Mr Marcel Beaubien (Lambton-Kent-Middlesex PC)

Mr David Christopherson (Hamilton West / -Ouest ND)

Mr Doug Galt (Northumberland PC)

Mr Monte Kwinter (York Centre / -Centre L)

Mrs Tina R. Molinari (Thornhill PC)

Mr Gerry Phillips (Scarborough-Agincourt L)

Also taking part / Autres participants et participantes

Mr John Gerretsen (Kingston and the Islands / Kingston et les îles L)

Clerk / Greffier

Mr Tom Prins

Staff / Personnel

Ms Elaine Campbell, researcher,
Research and Information Services

CONTENTS

Wednesday 9 February 2000

Pre-budget consultations	F-351
Mr Alan Bickerton	F-351
Mr Gordon Cameron	F-353
Mr Malcolm Stopani-Thomson	F-355
Mr Jack Drynan	F-357
Brockville and District Labour Council	F-359
Mr Jim Murray	
Elementary Teachers' Federation of Ontario, Upper Canada Local	F-363
Mr Randy Frith	
Municipality of Gananoque	F-369
Ms Sylvia Fletcher-Thomas	
Ontario Secondary School Teachers' Federation, districts 26 and 27, teacher bargaining unit ..	F-371
Mr Greg McGillis	
Ms Joan Jardin	
Canadian Union of Public Employees; Ottawa-Carleton Child Care Association	F-376
Ms Shellie Bird	
Ontario Secondary School Teachers' Federation, district 26, professional student services personnel bargaining unit	F-380
Ms Heather Wells	
Mr John McEwen	
Ms Joan Jardin	
Loyalist College	F-384
Dr Douglas Auld	
Mr Wendel White	
Ontario Secondary School Teachers' Federation, district 26, occasional teachers bargaining unit	F-389
Mr John McEwen	
Mr Greg McGillis	
Ms Joan Jardin	



Legislative Assembly of Ontario

First Session, 37th Parliament

Assemblée législative de l'Ontario

Première session, 37^e législature

Official Report of Debates (Hansard)

Monday 14 February 2000

Journal des débats (Hansard)

Lundi 14 février 2000

**Standing committee on
finance and economic affairs**

Pre-budget consultations

**Comité permanent des finances
et des affaires économiques**

Consultations prébudgétaires



Chair: Marcel Beaubien
Clerk: Tom Prins

Président : Marcel Beaubien
Greffier : Tom Prins

Hansard on the Internet

Hansard and other documents of the Legislative Assembly can be on your personal computer within hours after each sitting. The address is:

<http://www.ontla.on.ca/>

Le Journal des débats sur Internet

L'adresse pour faire paraître sur votre ordinateur personnel le Journal et d'autres documents de l'Assemblée législative en quelques heures seulement après la séance est :

Index inquiries

Reference to a cumulative index of previous issues may be obtained by calling the Hansard Reporting Service indexing staff at 416-325-7410 or 325-3708.

Copies of Hansard

Information regarding purchase of copies of Hansard may be obtained from Publications Ontario, Management Board Secretariat, 50 Grosvenor Street, Toronto, Ontario, M7A 1N8. Phone 416-326-5310, 326-5311 or toll-free 1-800-668-9938.

Renseignements sur l'index

Adressez vos questions portant sur des numéros précédents du Journal des débats au personnel de l'index, qui vous fourniront des références aux pages dans l'index cumulatif, en composant le 416-325-7410 ou le 325-3708.

Exemplaires du Journal

Pour des exemplaires, veuillez prendre contact avec Publications Ontario, Secrétariat du Conseil de gestion, 50 rue Grosvenor, Toronto (Ontario) M7A 1N8. Par téléphone : 416-326-5310, 326-5311, ou sans frais : 1-800-668-9938.

Hansard Reporting and Interpretation Services
3330 Whitney Block, 99 Wellesley St W
Toronto ON M7A 1A2
Telephone 416-325-7400; fax 416-325-7430
Published by the Legislative Assembly of Ontario



Service du Journal des débats et d'interprétation
3330 Édifice Whitney ; 99, rue Wellesley ouest
Toronto ON M7A 1A2
Téléphone, 416-325-7400 ; télécopieur, 416-325-7430
Publié par l'Assemblée législative de l'Ontario

LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
FINANCE AND ECONOMIC AFFAIRSCOMITÉ PERMANENT DES FINANCES
ET DES AFFAIRES ÉCONOMIQUES

Monday 14 February 2000

Lundi 14 février 2000

The committee met at 0900 in the Best Western Wheels Inn, Chatham.

PRE-BUDGET CONSULTATIONS

CHATHAM AND DISTRICT
CHAMBER OF COMMERCE

The Chair (Mr Marcel Beaubien): Good morning, everyone. If I can get your attention, I'd like to bring this committee to order. We do have to take a bus tonight, so we'd like to run on time.

Our first presenters this morning are representatives from the Chatham and District Chamber of Commerce. Could you please step forward and state your names for the record.

Mr Ralph Robinson: My name is Ralph Robinson. Representing the chamber this morning are Gail Antaya, our general manager, and Reg MacDonald, one of our directors.

Mr Beaubien: On behalf of the committee, welcome. You have 30 minutes for your presentation.

Mr Robinson: We've broken our presentation down into five subjects. Those subjects are on page 2 of our presentation. They are: Highway 401; the doctor shortage; agribusiness; maintaining excellence in education; and the Red Tape Commission.

To lead off our presentation, I'll call on Gail to cover the subject of Highway 401.

Ms Gail Antaya: In the recent past, a number of fatalities have occurred along the Highway 401 corridor within our municipality of Chatham-Kent. Taking into consideration the increased traffic with the implementation of NAFTA and the many businesses utilizing a "just in time" delivery, the current nature of the highway creates a very unsafe driving zone. The recent announcement of the proposed twinning of the Ambassador Bridge between Ontario and Michigan will no doubt add to this increase of traffic on Highway 401.

The current improvements being made to the highway are recognized, and the widening of the shoulders will provide additional security to the driving paths. However, more needs to be done, as was promised in the summer of 1999. The increase of 22 OPP officers, 11 of which are to be stationed in Chatham-Kent, has not been completed, and the promise of the increased inspection staff has yet to be achieved.

Highway 401 begins in Windsor with a border crossing extremely busy with trucks importing and exporting to Ontario and beyond. Many tourists utilize this same crossing to enter our beautiful province. As such, it is imperative to ensure safe driving conditions for these users.

An enhanced traffic path provides more opportunity for industry development and is a major factor in attracting new business. Being competitive in today's market is a necessity. As Chatham-Kent is a contributor to Ontario's economic well-being, the concerns on the safety of the stretch of Highway 401 running through our municipality need to be met.

It is the recommendation of the Chatham and District Chamber of Commerce to: continue the proposed increase of OPP personnel along the corridor as promised by the Minister of Transportation; increase the inspection staff as promised by the Minister of Transportation; increase the current two-lane highway to a safer, more conducive three-lane freeway; create barriers between the east and west driving paths; and consider alternatives to concrete, such as the rubberized post system utilized in some areas of Europe. Implementation of the rubberized post actually reduces construction zone hazards due to the lessening of disruption and the closing of traffic lanes.

Mr Reg MacDonald: Good morning. My particular application is around the physician shortage. Chatham-Kent is in a dire doctor shortage situation. It is recognized that we are not unlike many of our counterparts in the province. Numerous reports indicate that the shortage of doctors available to our citizens will only increase in its severity.

Availability of accessible, adequate health resources should be a common standard for all of the citizens living in our community and throughout Ontario. However, this appears not to be the case. Many citizens are without a family physician. Individuals with specific needs are added to the already long lists waiting for specialists to have diagnostic testing completed or to have necessary treatments done.

In a November 1999 report released by the Institute for Clinical Evaluative Sciences, the southern areas of Ontario, especially Essex, Lambton and Chatham-Kent, have the lowest number of doctors per capita. Our area has a continual decline in the number of physicians available to our citizens. Currently, Chatham-Kent has only

5.7 physicians available per 10,000 population. This situation will only get worse, as Chatham-Kent has a high proportion of aging physicians. The provincial health ministry has designated Chatham-Kent an underserved area. Indications utilizing their formula prove Chatham-Kent to be underserved by 19 family doctors alone. Our residents are not left with a choice of who to have for a doctor, but if they will have a doctor. This leaves many families relocating in Chatham-Kent having to travel hours in order to see family practitioners located in other areas of the province due to lack of accessibility to a local physician. This should not be the case.

From an economic perspective, a community and province without adequate health care creates a difficult atmosphere in which to attract business. In particular, business wants to ensure that certain standards are available prior to making an investment in a community. Health care access is one of the key standards. In order to maintain economic well-being and to continue to prosper, our province needs to correct this situation.

One of our recommendations would be that the provincial health ministry study the underlying issues creating the doctor shortage and institute corrective action. Some specific recommendations would be that the government intervene in the application of the College of Physicians and Surgeons and revamp the process and criteria for admission of non-Ontario-trained physicians in order to compensate for the current and pending shortage of doctors in Ontario; also, that the College of Physicians and Surgeons set enrolment rates back to previous levels in order to accommodate more students entering medical schools.

0910

The second recommendation is that the provincial health ministry create location incentive programs in which doctors are paid at varied payment schedules according to levels of service available to the population.

Some specific examples would be that the current negotiations with the physicians include a process of enhanced deployment to underserved areas, allowing for a more equitable distribution of physicians throughout the province; that the government research and design an assessment process based on demographics and identify the required types and quantities of physicians to meet the future needs of Ontario residents; and that the matrix be met by encouraging students to enter those areas of greatest need.

Mr Robinson: Turning to the next subject, agribusiness, 70% of the Chatham gross national product is agriculture-related, and we are thus a primary and secondary agriculture area. The recent downsizing of the local OMAFRA office and cutbacks in related services could have an adverse effect on this important sector of our local economy. In the past, farmers did not have to visit an OMAFRA office to receive services. Officials brought solutions to the farmer and the local agricultural sector through seminars, representation on a variety of local committees, and media articles. These officials will no longer be available to carry out local programs.

In 1998, Canadian consumers spent less than 9.8% of their disposable income to cover their food expenditure, the lowest percentage of any of the world's industrialized nations. Canadian consumers also enjoy one of the most abundant food supplies on the globe. Canadian farmers are among the most innovative, efficient and competitive on the planet, yet their share of the bounty they produce gets smaller and smaller year after year. Canadian farmers have taken pride over the years in providing consumers with high-quality and safe foods at very competitive prices, as the above ratio confirms.

Chatham-Kent has approximately 2,700 farms, with gross gate annual sales of \$305 million. It is estimated that loss of cash receipts in Chatham-Kent alone in 1999 will reach \$75 million because of low agricultural commodity prices.

It is imperative that both the federal and provincial governments respond immediately to the inequities and undue hardships placed upon our farm communities. Ag industry opportunities which would ultimately create jobs, boost competitiveness and strengthen Ontario's economy must be developed. We must strengthen our farm safety nets and marketing structures to allow our farmers to concentrate on competing on a global stage rather than focusing on financial uncertainties and, ultimately, survival.

It is the recommendation of the Chatham and District Chamber of Commerce:

(1) That the provincial government ensure agricultural programs and services previously available through our local OMAFRA office continue to be available to farmers. Consider partnership with local agricultural, rural and economic organizations to maintain a local ministry presence.

(2) Together with federal counterparts, ensure that programs are available to keep farmers competitive with other primary trading partners and/or competitors.

(3) That the provincial and federal governments aggressively pursue any hint of market collusion that would create unfair costs or decrease market prices to our farmers.

Ms Antaya: The Chatham and District Chamber of Commerce believes that education, from early childhood education through to post-graduate studies, including the vital aspects of apprenticeship studies, is a very important component of making Ontario North America's leading economy.

The chamber supports many of the government's actions to reform the education system. In 1998, the Ontario Chamber of Commerce recommended investing in early childhood education. Shortly afterwards, both the Leader of the Opposition and the Premier began speaking on the issue, and pre-kindergarten funding was maintained.

This year, the release of Dr Fraser Mustard's and Margaret McCain's Early Years Study pointed out the dramatic benefits to our society's capabilities if our communities make a greater investment in time, attention and money for our youngest.

The education committee of the Ontario Chamber of Commerce has worked closely with the Ministry of Education to review the business studies portion of the new curriculum. The education committee is preparing a submission on the issue of teacher testing. We, the Chatham chamber of commerce, are pleased to see the Ontario chamber wanting to continue working with the government to make education an important priority for Ontario's competitiveness.

It is our recommendation that the provincial government support the Ontario Chamber of Commerce recommendation that Ontario recognize the opportunities outlined in the Early Years Study, and that our provincial government adopt an approach to give this long-term project provincial leadership.

Mr MacDonald: In terms of a submission regarding the Red Tape Commission, the Chatham and District Chamber of Commerce supports the work of the Red Tape Commission. We believe the commission should be continued. The government should make the commission permanent and mandate it to conduct a biannual review of regulations to ensure they still remain relevant and are not a burden on business.

It is the recommendation of the chamber, then, that the Red Tape Commission be permanent; that a review of regulations affecting business be completed by the Red Tape Commission to ensure their current relevancy on a biannual basis; and that the Red Tape Commission be empowered to embrace technology to simplify filing processes for all levels of government.

The Chair: Thank you very much. We'll maintain the same rotation that we had last week. I'll start with the government side, and we have four minutes per caucus.

Mr Ted Arnott (Waterloo-Wellington): I want to thank the three of you very much for your presentation. It was very thoughtful, and you've done a lot of research that will be very helpful to the committee as we proceed with our deliberations, hopefully giving advice to the Treasurer which will be included in his budget this spring. You've identified a number of local concerns, but also some provincial concerns that affect us all.

The 401 issue is something that has been discussed extensively in the Legislature. As you've pointed out, there is a need for additional OPP officers, some 22. Can you tell me if the Minister of Transportation has given any time frame as to when those officers will be in place, or do we have any indication as to when that's going to be accomplished?

Mr Robinson: We're not aware of any time frame at this stage.

Mr Arnott: But a commitment has been made, and I'm certain it will be honoured if that's the case.

You mentioned the doctor shortage. There are quite a number of communities that are facing the same sort of problem as you are here in Chatham-Kent. Certainly the community I represent in Waterloo-Wellington has this problem, as do many other communities across the province. The government has studied the problem extensively, and a commission headed up by someone named

Dr McKendry has made recommendations as to what ought to be done.

I should also tell you that the government is committed to creating an assistance program for medical students, that if they commit to going to practise for five years in an underserved area, they would get their tuition free of charge. We're committed to implementing that as well. So we hope that will be of some assistance in solving this problem. I just want to say that you're not alone in this, and you should be commended for your efforts to attract doctors and encouraged to continue to do that.

You mentioned agriculture, farming and the importance of agriculture to the local economy here in Chatham-Kent. I wonder if you could talk about the benefits, perhaps, that have accrued to this area as a result of the ethanol plant that the government supported some time ago.

Mr Robinson: The benefit to the area with the ethanol plant is the obvious usage of product. There has been a disadvantage, but I don't think that needs to be covered in this area. But certainly the ethanol plant has created a market for corn grown not only in Chatham-Kent but also in other areas. I understand it's not limited to Ontario production either.

Mr Arnott: You talked about education. You emphasized the need for early intervention, and I wanted to let you know that the Minister of Health, the Honourable Elizabeth Witmer, has presided over a significant expansion of a program called Healthy Babies, Healthy Children. Initially, when it was started, the investment and the expenditure in that program was about \$10 million a year. I think as of next year it's going to be an expenditure of \$67 million, so it has expanded by a factor of six in just two or three short years.

What the program does is, through the local health units, attempt to identify children who may be at risk of unhealthy development and set the families up with available services that might help alleviate that, as well as supplementing the program with home visits by people who are very skilled at raising children and helping the families in that way.

I wondered if you are aware of the program, and if that program has been beneficial in this area.

Ms Antaya: I am not aware of this program whatsoever, unfortunately. I'm sure that if I were to do some investigation with the health unit, I might be aware of it.

Mr Pat Hoy (Chatham-Kent Essex): Good morning and thank you for being with us today. I appreciate your presentation. There are many issues here that are of great interest to myself and other members. I personally share your concerns about the 401, and of course all of your concerns, but the 401 in particular. It's my understanding that the Ontario police personnel who would be deployed here were promised in September of last year and that the funding for these officers would expire at the end of the government year or August 1. I'm glad you raised this issue so that the government can expedite their being here.

0920

The rubberized posts and construction zones: I've seen a film about something similar, and I just want to ask if what I may have seen in this film is the same thing that you are talking about. It's a rope type of effect with a post that will fall and rise. Is that what we are probably talking about here?

Mr MacDonald: Yes.

Mr Hoy: Would you agree that a test site might be required along some highway, not necessarily 401, to test this? Notwithstanding any liability questions that might arise—we could deal with that later, I suppose—would you agree that there should be a test case, a test area for this particular safety feature?

Mr MacDonald: Yes, a test or pilot project, like any new technology for this particular area—although it's been in Europe for awhile—would probably be prudent, except that you expressed a liability situation. I'm sure that would have to be looked at, and I think the location of this test site would be a critical item as well so that the usage of it would be appropriate.

Mr Hoy: One of the situations we have here in Chatham-Kent, as you have acknowledged, is the lack of a sufficient number of doctors. Would you agree that nurse practitioners might be able to help doctors here in Chatham-Kent? I'm thinking of Dr Button who has 7,000 patients. Would you agree that there are situations and areas of expertise in which nurse practitioners could work and help a doctor here in Chatham-Kent-Essex?

Mr MacDonald: That is correct. I think that nurse practitioners fill a need, and I think that physicians would welcome those nurse practitioners as well.

Mr Hoy: I appreciate your comments on the importance of agribusiness to Chatham-Kent and, indeed, Essex. I guess it's been stated before by others that if it can be grown in Canada, it can be grown in Chatham-Kent and/or Essex, so we're quite proud of our agricultural abilities here.

The closure of the agricultural offices as you've identified here—the government is going to close 32 of them. I simply want to ask you if you've utilized government 800 numbers. First of all, have you had any occasion to use them, and second, what is your experience been with them? Was it good, fair or poor?

Ms Antaya: We've been fortunate within our chamber that we have had access to a representative from OMAFRA, not only through local conversations but on our agriculture committee that we set up and that has been active for over 15 years. We have been fortunate in the aspect that when we need an activity, when we need some answers, we have that local representation, and not only that, they bring the information to us on an ongoing basis through reports, through media, and if there is anything of specific concern it's brought to our attention.

Mr Hoy: So having a local representative here, in your mind, would be better than talking to someone on the phone at some distance away from the community?

Ms Antaya: I would think so, yes. Not only that, the representation around our own committee that we have

through the chamber represents approximately 17 agribusiness-related organizations or farming community organizations. They are getting that information on a month-to-month basis, if not more often.

Mr Hoy: Many people have come to me and approached me about these ag office closures and talked about the hands-on, personal service that they would get rather than talking over the Internet or some 800 number. They've said to me that cases of importance here in Chatham-Kent may not be the same as something that's occurring in the Niagara region, if we think of the crops that are similar in both areas, and that it may not happen at the same time, or one problem may be more advanced than another, and it would be better if someone could actually look at it, rather than having a description made over the phone or by some other means.

The Chair: Thank you very much, Mr Hoy. You've run out of time.

Mr David Christopherson (Hamilton West): Thank you very much for your presentation. One of the benefits of travelling to the different parts of the province is you get a much closer feel for what's happening on the ground in each of the communities. I noticed in your text that you mentioned that the Leader of the Opposition and the Premier began speaking about pre-kindergarten funding, that they thought it should be maintained. I'm sure it's just an oversight in noting that it was the NDP government that actually mandated that boards had to provide it. It was the current government that eliminated it and then afterwards said, "Oh, gee, I guess we should be supportive of it." I would just backfill that point for you, because I'm sure it's just an oversight.

You were talking about education and the importance of education. We've had a number of presentations from parents, from teachers at all levels, education specialists, talking about the crisis that exists in education right now. I would bring to your attention that in 1992, during the depth of the recession, per thousand there were 94.9 teachers. That includes all supports to teachers. In the last year where figures are available, 1998, it's down to 82.4. The loss has mostly come from custodians, librarians, computer technicians and educational assistants, where there's a real special need and a growing crisis, again because of the funding that has been cut. They changed it. They said: "There are problems. We're going to change it." They did change it, but they've made it worse. There's not as much money as there was. There are far fewer English-as-a-second-language teachers. Right now in our ranking in North America, we are 55th out of 63 jurisdictions in terms of per pupil funding. In the depths of the recession, when the NDP government was in power, we were 13th. So we were doing a lot better in education during the depths of the recession than we are now during the economic boom.

With all the implications for the education system, I just wonder how you feel about this, in terms of the government's changes in funding. Do you think the funding ought to be increased so we can go back to the kind of quality education system we had, or are you

supportive of continuing this, what I would characterize as a downward trend?

Mr Robinson: In answer to that, I would only say that we have a local Christian school in our community whose funding represents about 50% of what the public funding is, and the quality of education—studies have shown that the subsequent success of those students has not been unduly affected by the funding they didn't receive.

Mr Christopherson: So your point would be?

Mr Robinson: Funding doesn't guarantee success.

Mr Christopherson: So you're supportive of the government's cuts in education; you think we're getting more with less?

Mr Robinson: That wasn't what I said. I said that funding does not guarantee success.

Mr Christopherson: I appreciate that. I was just trying to get to a point, though, and that is, do you support the direction that we've gone in, where there is less money, where we've got experts disagreeing with you, saying that there are implications for our children—big implications—or do you think the government should rethink their funding formula and ensure there's enough money?

I've got kids in my community in downtown Hamilton who can't get into a classroom because there are not enough educational assistants. The money has been cut. I don't think any of us need to be an expert to appreciate that if the kids aren't in the school, they can't be getting a better education than they got a couple of years ago. These are real issues, and quite frankly a lot of these cuts were made necessary by the fact that the government gave up \$5 billion to \$6 billion in revenue in order to provide the tax cut that the wealthy benefited from the most.

Mr Robinson: I think our recommendation was fairly clear.

The Chair: On behalf of the committee, thank you very much for your presentation, and for braving the roads this morning. But I'm sure you didn't have to drive too far.

0930

MUNICIPALITY OF LEAMINGTON

The Chair: Our next presenter this morning is the mayor of the municipality of Leamington. If you could step forward and state your name for the record, please.

Mr Dave Wilkinson: I'm Dave Wilkinson.

The Chair: On behalf of the committee, Your Worship, welcome. You have 30 minutes for your presentation this morning.

Mr Wilkinson: Believe me, I won't take 30 minutes to do this. I'm usually very brief.

I come to you from an average-sized municipality that lies within a two-tier system of government. In 1998, Leamington, in the county of Essex, did restructure from 21 municipalities down to seven. We are currently looking at that structure again.

Whatever that answer is, we know there is only one option that is needed, and that is lower property taxes. Since 1997, we have been able to maintain no property tax increases, and in one of those years we were even able to reduce property taxes. The room that was made on property taxes in 1999 by the provincial government was due to the reduction on the school tax side of things, and we certainly appreciated that move.

My municipality chose to freeze the property taxes at current levels, and the extra money that was raised from the 5% provincial reduction in school taxes was used for infrastructure inside our community. With the current good economic growth that is taking place in Ontario today, and in Leamington, more and more pressure, though, is being put on the services that we supply. We enjoyed about 3% to 4% growth in 1999, but the extra tax dollars did not keep pace with the strain on our infrastructure. We therefore strongly urge you to participate in any new infrastructure program that may be coming forth. The infrastructure program that occurred back in 1991 was a blessing to our community, but it was created to create new jobs. In 2000, though, it is not to increase jobs but to satisfy the growth that is taking place.

Bill 79 certainly has good intentions, and some of those benefits are taking place today, but there certainly are some drawbacks to it. One of the most glaring ones was the late arrival of instructions from the ministry on the 10-5-5 capping portion of the property taxes. Our tax notices were delayed throughout the year and with this came hardships on our taxpayers; it also strained our budgeted targets that we set throughout the year. Hopefully, the year 2000 will be different and Bill 79 will see the benefits in a more timely fashion.

Another factor that I urge the province to influence, if it can, is the way property assessments are handled. I believe it should have more local representation, instead of the current policy, which is more to centralize it.

Yes, tax cuts do create jobs in the private sector and in time more success for our municipalities. It makes my job a lot easier to help my municipality when the economy is good. The employment rate is lower than the national average in Leamington. Provincial decisions do affect tax rates, but we all know that both the municipality and province want to deliver services in an efficient but effective way. I urge the province to work closely with the municipalities, all ministries, so that we can continue to deliver services in an efficient way. Decreasing property taxes is a popular move with our ratepayers, but we must balance tax cuts with the services that we must provide.

I believe the province, back in 1995, did jump-start a new way for municipalities to follow, and change was needed. But as we move down this road together, it is important to have a good line of communication between the province and the municipalities.

I want to thank you for the time you have given me to speak here this morning. I will answer any questions that I can, from a municipality point of view.

The Chair: I'll start with the official opposition. We have approximately eight minutes per caucus.

Mr Hoy: Good morning, Mayor. Thank you for being with us here this morning. You talk about municipal restructuring in your area. For the benefit of others who are visiting with us today, could you describe how that restructuring took place. What I'm asking is, was your restructuring a local solution, was it done by a commissioner or was it done by legislation from Queen's Park?

Mr Wilkinson: It was a local solution that the county of Essex, which we lie within, took upon itself. As I said in the words that I read here this morning, what the province did in 1995—there was change needed, but luckily the county that I come from, that Leamington participated in, did come up with a local solution, from 21 down to seven. We've seen the benefits in Leamington of what we did. We recognize that there are probably more benefits to be had, and that's why we are currently looking at our structure today.

Mr Hoy: You mentioned your dealing with taxes locally and how currently they seem to be working quite well; you did not have to raise taxes. Did your municipality receive money from the community reinvestment fund?

Mr Wilkinson: That's the CRF? Yes, I believe my municipality did. I also believe we did receive help when we restructured, same as they did in Chatham-Kent.

Mr Hoy: Would you think that any municipality that might be undergoing restructuring should have the same consideration based on a formula, that they too should have some help initially in their restructuring?

Mr Wilkinson: Yes. In my municipality we amalgamated with our rural neighbour: Leamington and Mersea went together to get down to the seven. It was a fairly easy amalgamation that took place in my municipality. In all the reports that we had throughout the year or as we moved forward on the downloading issue and the restructuring, it really was a positive thing for our community. I can't speak for the other communities, but it was a positive move that happened there. We received some help from the ministry when we restructured. It did go smoothly. We want to take another step. I believe we've seen the benefits of it.

Mr Hoy: Would you want to make that other step a local solution as well?

Mr Wilkinson: Yes. As I said, provincial decisions do affect tax rates; they really do. As we move along, I believe where I come from we know the systems down there and different things. I know the city of Windsor has been urging the province to appoint a commissioner. I come from a municipality where I believe there is a local solution that can be found, and hopefully in the year 2000 we will have an answer for the province.

Mr Hoy: You talked about the infrastructure program of the past: federal, provincial and municipal participation. At the time it seemed to be generally well accepted across the province by all those involved, all levels of government. Would you suggest again that it be one

third, one third, one third, or do you have any other percentage mix of sharing in that?

Mr Wilkinson: I believe it was fair last time. As I said, before it was maybe to jumpstart the economy, a lot of it. The municipalities welcomed that with open arms. We understand that both federally and provincially you have cut back on any kind of capital programs. We certainly would welcome that back. It created jobs in 1991 and jumpstarted the economy. Today it's the fact that our economy is growing and our infrastructure is just not keeping pace. Sure, we get more dollars from the growth that's taking place, but we don't seem to be able to keep pace with the new things that are coming, waterlines and different things like that.

0940

Mr Christopherson: Thank you, Mayor, for your presentation.

Just for your knowledge, I spent five years on the Hamilton-Wentworth regional council and Hamilton city council before I moved to Queen's Park, so I think I have a good feel for both what happens locally and the relationship between the municipalities and the province. In my hometown of Hamilton, it has been an incredible struggle on a whole range of fronts, one of them being—you mentioned the difficulties around the changes to the assessment, the CVA. I'm sure you know that when they brought in their first bill, there were a lot of us who said, "Slow down, take your time, do this right," which is the excuse they use when there are things they're being urged to do that they don't want to do. They say, "We want to get it right the first time," and that's their excuse for delaying. In this case we were urging them to slow down. We said, "You're going to run into problems," and as you probably know, it took them six separate pieces of legislation after the initial one to fix all the mistakes that happened in the first one and that continued to be made in other pieces of legislation.

All of that has left us in Hamilton in a real quandary. One of the few benefits to Hamilton was for small business in the downtown area and in Westdale, where their assessments were way out of whack, and actually this would have made them more competitive. Then, when they put the cap on, it left them being uncompetitive, and we're losing now as many businesses, if not more than, as we did in the past. I wonder if you have any similar circumstances within your jurisdiction.

Mr Wilkinson: Yes. We had those same problems as we moved through 1999. Like I said, I believe that change was needed, and it is a new way of doing business through the amalgamations and restructuring that are taking place. I guess it's just like any business. There are some new things that you put in place and there are bumps in the road as you move along. There certainly were some bumps in the road as it moved along, but I think that with every move forward, there are going to be some positive things coming out of that.

You mentioned the capping and different things. Yes, I think on the assessment end of things, and as we move forward along that line, there were some problems.

That's why I urge taking a second look at those kinds of things. We just have to accept some of the bumps when change does come.

Mr Christopherson: You mentioned infrastructure, and this is something that is happening everywhere, but I would imagine it's even more crucial here, given that you're right near the opening of the funnel in terms of access to the American market. We've had many economists come in who have acknowledged that the vast majority of the economic benefits we're now receiving are not really related so much to the tax cut as to the booming American economy, in particular the auto industry. If you think about it, someone who buys a car in Wisconsin is not affected by any tax structure that we have here in Ontario, yet we benefit from the demand on our auto plants and supplier services and such.

My question is on the infrastructure part of it. Again, in Hamilton we've still got, and maybe you do in your area, some of the combined sewer systems as opposed to the separated ones, which are decades and decades out of date; bridges that need to be done; major problems with our water treatment in terms of being able to meet the demand because of the growing population. What is your sense of what will happen in your community if this isn't addressed? I recognize that it's both a provincial and a federal responsibility, but if there aren't some extraordinary steps taken, meaning above and beyond current programs, whether it's a special shared program or some major reinvestment in our infrastructure, what is the long-term prognosis for your community if that investment doesn't take place?

Mr Wilkinson: As I prepared my words for today, I knew that you were going to hear from all aspects and I tried to keep my few words here this morning strictly on the municipality and different things. Yes, the infrastructure is getting old in some areas like that. It's easy to build arenas or do things, but it's hard to find the money sometimes that you're going to put underneath the ground to fix the old. We clearly know that we have to balance between supplying the new and fixing the old. I think one message that I bring here this morning is—you know the rumours that we hear from the federal side of things—that we urge the province to participate in that and to fix, like you said, those decaying pipes and different things. But it's the new that's happening. In my municipality we have tremendous growth in the greenhouse industry and the agriculture industry, and they require water and waterlines to feed them. The hydro and the gas are something else. They're done by the private sector. We want to continue that growth and we would like to have some help on some of those different things like that.

Mr Christopherson: The cost is enormous, and I appreciate the problem. It's not very sexy. All that people want to do is to be able to turn on the tap and flush the toilet. They just want things to be done the way they should be done, and somebody else has to worry about what happens. So it's difficult to mount a campaign to run for re-election on replacing sewer lines, especially if

it means increased taxes, because the money has to come from somewhere.

Just to come back to the point, though: If something is not done, and I'm not looking for a nightmare scenario but just an honest evaluation of what you think the implications will be for your community five, 10, 15, 20 years out if we don't make that investment now, what are the implications for your constituents and citizens?

Mr Wilkinson: I think that eventually the taxpayer will pay for it. It will be through property taxes that we will have those dollars to spend out there. Like I said, it's easy to be a mayor in good economic times—we have growth and extra funds coming in—but if you ask me 15, 20 years from now, if something turned around and it wasn't as good as it is now, it would be tougher; believe me. You mentioned that it's hard to get re-elected but, boy, when the sewer backs up in the basement or something, that news travels fast throughout the community. We would welcome that investment into all our communities.

Mr Christopherson: That's great. Thanks, Your Worship.

Mrs Tina R. Molinari (Thornhill): Thank you, Your Worship, for the presentation this morning. It's refreshing to hear some of the comments you've made and it's certainly in line with what we've been doing in the last number of years: the importance of reducing taxes. I compliment you on being able to freeze taxes in your community. I think that's essential.

You talked about some of the infrastructure needs. As the province is only responsible for 9% of that and there are a number of other partners that fall into place, I was pleased to hear you say that it's important that we work together. Certainly municipalities, provincial governments and the federal government all need to work together to provide for our taxpayers because in the end there's only one taxpayer.

It's refreshing to have the mayor come and make a presentation. I think you're the one who is more directly involved with the people and the public, and it helps us to hear your views, how you see it, so from my sense I appreciate the things you've said this morning and the perspectives you've put on this issue. Thank you very much for your presentation.

Mr Arnott: Thank you, Mr Wilkinson. I wanted to ask you about municipal restructuring and follow up on some of the questions that have already been put to you on that.

You indicated that Essex county has reduced its number of municipalities from 21 to seven as a result of the restructuring and that you're looking at further steps to restructure to improve service and streamline municipal government. Could you tell us or highlight the benefits that have been achieved to date as a result of municipal restructuring in Essex county and what you would hope to achieve by further restructuring efforts?

Mr Wilkinson: I think one of the main benefits of the restructuring for my municipality is that it brought the urban and the rural together to think as one. There was

always a competition out there between the smaller municipalities. I'm not going to say that the relationship wasn't good, but it was always a competition and different things. This brought together both rural and urban in my area to think as one, and I really believe that the rural people would say that the municipality we went with, Leamington, is our hometown. I think the public spirit that was out there is now better.

0950

You always heard the negatives of the restructuring. From my perspective, it was a positive move. Tax-revenue-wise it was a good move; it really reduced taxes. Others say it's the public spirit of things, that now the hometown is Leamington, and even if you live in the rural area, it was a positive move.

Sure, I would mention there are some problems here as we get some information back especially in the 10-5-5, but overall it worked well. I think the local solution we came up with fit the format.

Mr Arnott: In your opinion, has there been any loss of community identity?

Mr Wilkinson: No, there hasn't been. We still have smaller hamlets inside our area: Blytheswood is still there; Albuna is still Albuna. They are just small places, but people do relate to those. No, there hasn't been any loss of public recognition to these people.

Mr Christopherson: Don't tell Skarica.

Mr Arnott: The economy is growing in Ontario. The provincial government has taken steps over the last four and a half or five years to attempt to encourage economic growth across the province, and you indicated that there has been considerable growth in your community. You would obviously agree that the provincial government, working with local governments, has a role to play in encouraging economic growth, and if they're engaging in the right kinds of policies, jobs are going to be created, would you not?

Mr Wilkinson: Yes. Like I said, I hope we can work hand in hand in promoting this. It's unbelievable, what's happening, it really is. I know there was mention here about the strong US economy. Sure, that affects what happens in Leamington, but it's the fact that the public perception out there is positive now: "Let's go. This is our chance." Whether that's because of the new technology that's coming on and because we're doing things differently—it just is positive out there. I believe that the reduction in taxes creates jobs, I do believe that, and I think everybody wants the sense of a job out there. So it is positive.

Mr Bert Johnson (Perth-Middlesex): I was wondering about the amalgamation, if that's the term you use, the restructuring of Leamington and Mersea township. What stimulated that? Had that been discussed during the past or was that fairly recent? You mentioned the rivalry. I assume that with the fantastic growth in hothouses and greenhouses in the Leamington area, that would have involved both municipalities and there would have been rivalry. In other words, what brought the two together?

Mr Wilkinson: Maybe the rivalry was just somewhat between rural and urban there, but as we look back, everybody knows that probably we should have done it 20 years ago in my municipality.

I don't want to speak for anybody else's municipality. We have an ongoing battle right now with the city of Windsor. They want—how would I say it? I don't think they want to seek a local solution, and in the county of Essex, which we lie in, we have laid out a solution to them. Sure, there is rivalry between the city and the county out there. We want to seek that local solution.

How did it all start? When Mr Harris made a speech at AMO back in I believe 1995, he laid out the fact that we're going to do things differently. I think we recognized in our county, as things started to unfold then, that we had to do something, and we really wanted it to be our solution and not something that was forced on us, so the municipality got busy and did go from 21 down to seven. We want to work even with the city. We hope there's a local solution we can come up with on that one.

Mr Johnson: The city is separated from the county?

Mr Wilkinson: Yes, it is.

Mr Johnson: And it is the only separated municipality within the boundaries of the county?

Mr Wilkinson: Yes. Windsor sits up in the northwest area of Essex county. The county has been there for 150 years. I come from a two-tier system in the county. We want to work with the city of Windsor; we have no trouble with that. I believe there is the will to go from seven down to something else. I don't know whether it will remain a two-tier system; it has worked well for us. But we want to work with the city of Windsor. We really don't want things imposed on us. We believe there is a solution out there, and we are going to come to it.

The Chair: On behalf of the committee, Your Worship, thank you very much for your presentation. I hope it wasn't too tough a drive this morning.

Mr Wilkinson: I come from the banana belt.

The Chair: Our next presenter is not here yet. However, the Sarnia Lambton Chamber of Commerce is here. If it is agreeable to the committee, we will take the Sarnia Lambton Chamber of Commerce and, when the representatives of the Labour Council of Chatham-Kent show up, we will take them at a later time.

SARNIA LAMBTON CHAMBER OF COMMERCE

The Chair: Would you please step forward and state your names for the record. On behalf of the committee, welcome and thank you for being here this morning. You have 30 minutes for your presentation.

Mr Gus Mumby: Good morning. My name is Gus Mumby, and I am president of the Sarnia Lambton Chamber of Commerce. To my right is Michael Van Pelt, the general manager of the chamber of commerce.

First of all, thank you very much for the opportunity to present our observations and to have input into the 2000-01 budget. Secondly, we bring you greetings from the

membership of the Sarnia-Lambton chamber and from the business community.

Sarnia-Lambton is a community ready for growth. In the financial world, where the adage is "Buy low, sell high," Sarnia-Lambton is a preferred stock. It is soon to be a strong, stable and high-growth mutual fund. To put it another way, we like to refer to ourselves as Sarnia.com.

In the past 10 years, the Sarnia-Lambton community has been the victim of downsizing. In particular, our petrochemical industry, which was the main employer, lost approximately 5,000 jobs. As a result of the loss of these jobs, there is a reduction in consumer spending, secondary investment is difficult to attract, and the long-term impact results in weak confidence levels and the exodus of our youth workforce.

In the past three years, Sarnia-Lambton has launched a very positive effort to diversify its economy, stabilize its existing industry and move to the new economy. The attracting of a number of small but vibrant auto parts companies and the possibilities of the energy sector are indicators of this positive change. Furthermore, mentalities and attitudes are becoming changed to accept and capture the reality of a new entrepreneurial economy. However, the fact is that Ontario has enjoyed one of its most successful periods of economic growth, but unfortunately the Sarnia-Lambton area has not.

The government of Ontario has recently made two important initiatives to support change in the Sarnia-Lambton community. The first was changed labour legislation through the enactment of Bill 31. This opened the door for our major companies in Sarnia-Lambton and the unions to enter project agreements.

The second is a move to deregulate the energy industry, thus creating new possibilities to open the door to major expansions in co-generation opportunities.

The difficult truth is that the project agreements are but a temporary solution that will allow capital projects to keep existing plants viable. They are not the door to substantial growth and rejuvenation of our petrochemical industries. Sarnia-Lambton is home to Ontario's petrochemical sector, consisting of billions of dollars of investments. The province will need to be more innovative to retain and build upon what we already have.

Secondly, energy deregulation is fast becoming a very difficult and hesitant process. The chamber is greatly concerned that we will lose investment opportunities as the government gets caught up in the regulations and bureaucracy of the deregulation process.

1000

We are also concerned that the private sector's hands are being tightly tied by the preferential treatment to the new Ontario Hydro companies.

The Sarnia-Lambton Chamber of Commerce is generally supportive of the Ontario government's economic vision to balance the budget and to reduce taxes. It does, however, believe the government will need to be more strategically innovative with respect to its responsibility to the taxpayers and community of Sarnia-Lambton.

Who are we? The Sarnia-Lambton Chamber of Commerce is a grassroots business organization with over 800 members in the Sarnia-Lambton area. We have a very broad sector of business representation, with the majority of our members being independent businesses.

The chamber has a very qualified economic policy and development committee responsible for understanding the economic landscape in Sarnia-Lambton. The committee's function is to monitor and analyze the economic policies of the provincial government and to understand their impact on the businesses in Sarnia-Lambton and the community at large. This committee is the author of this paper being presented to you.

Mr Michael Van Pelt: What we want to do is just roll through some of what we consider the basics, and we're going to look specifically at some of the issues that impact Sarnia-Lambton. As you may see from the report, the Sarnia-Lambton Chamber of Commerce is a member of the Ontario Chamber of Commerce and was participatory in some aspects of that report, which has already been presented to you. We're not going to deal with some of the larger economic issues that are contained in that report and simply duplicate that. I sense that you've had a reasonable amount of conversation on those issues already. We want to target Sarnia-Lambton and basically look at some of these issues through the lens of our own community. We're going to target just a few issues. We'll be quick and to the point.

The first one is the SuperBuild fund. Obviously the chamber is very pleased with the overall direction of the SuperBuild fund, and especially the notion of integrating the various ministries and the infrastructure investments that the various ministries put into the community. The notion of integrating that investment is a positive idea. However, we are very concerned that Sarnia-Lambton and possibly other communities like ours don't really have the tools to utilize the investment of that fund to its greatest extent. Like the Ontario chamber, we're very concerned about the lack of clarity that's coming through on the SuperBuild fund. Some sarcastically say that it's been announced more than once, more than twice, or possibly more than three times. We're looking for some details. That might seem to be a nitty-gritty for a small community, but a small community needs to have the tools well in advance to be able to access and leverage its own community to utilize that fund, as there has been such an emphasis on the private sector character of that fund. That's our concern from a community point of view.

We're ready to come to the table with investment. We have practical examples that we can look at in our own community which we can leverage into the SuperBuild fund, but we do not want to be in a position where because we're a smaller community we might not have the resources, ie, the field of grant officers etc, that larger communities might have and end up being disadvantaged from that fund. There is a federal example that you all might be reasonably familiar with that we simply do not want to be the negative recipient of in this case also.

With respect to municipal taxation and, simply put, a little bit different emphasis maybe from our counterpart at the Ontario chamber, we think it's time to stop reviewing the options. We've reviewed the options on municipal taxation for a long time, and we want you to move quickly to allow municipalities to actively and freely utilize the range of fairness. Although the province's 10-5-5 had a very "pro-business" character to it, and temporarily kind of limited some of the increases to businesses, it also prevented municipalities from utilizing the range of fairness and simply gave them an opportunity in many cases, and in Sarnia-Lambton's case, to do actually nothing.

The chamber was very active in trying to get our county to commit philosophically to moving in the direction of making commercial taxes a little more equitable. As you know, there is no question: Commercial property taxes are not equitable. Philosophically we were very close, then all sudden 10, 5 and 5 came out and discussion's over. So we're starting on page 1 there. Forget the options. Give us that opportunity that your government philosophically committed to right off the start with municipal taxation.

Second of all, let's remove the residential preference. There was a tremendous amount of discussion and talk and hype and excitement about the business occupancy tax being eliminated. We suggest that maybe it didn't get eliminated, that in fact it got transferred right on to the commercial tax rates. There is a very easy way of dealing with the BOT, which is actually simply eliminating it—period, done. No more after that. The provision to move it to the commercial tax rate really was a residential bias decision of your government. We understand the dynamics, and anyone having to be elected understands the dynamics, of not wanting to influence the residential tax rate, but you can't have it both ways. The time is now to allow your government, and to allow municipalities, to move towards creating some fairness for commercial businesses and giving opportunity for job creation. As we know, all the research shows that property tax is what we now consider the silent job killer.

With respect to red tape, quick and to the point: Obviously, we're supportive of the continuance of the Red Tape Commission. Number one, let's stay aggressive but let's take a very sensible approach to it. We noted two issues, one on the audit side and one on the reporting mechanism of the employer health tax, just to show that there's actually a long way to go here. These are fundamentals that have to happen in terms of making our reporting mechanisms and the kind of bureaucracy that businesses have to be involved in to deal with government and to deal with government taxation—these are simple ones. We still have a long way to go, but we are very supportive of the philosophical commitment and the practical commitment, which some of you have been aggressively involved in, to remove red tape. There is still a long way to go in that area.

The final one is with respect to trade corridor investment. That's come through various different languages.

We think "trade corridor" is the language that encompasses transportation and trade integration. Ontario really is the second-largest trading partner with the United States. Many people don't know that.

Of the \$440 billion—and that's probably getting to \$450 billion to \$475 billion—between Canada and the United States, over 60% travels through Ontario's southwest gateways. Transportation infrastructure is becoming a much more integral part of the manufacturing process and will also at some point be under the scrutiny of the manufacturing process.

Without substantial investment into Ontario's trade corridors, Ontario will be at a competitive disadvantage to competing jurisdictions such as Michigan. Sarnia-Lambton is obviously a major gateway. In size, we're the largest international gateway, and I think third on the volume side of it. Simply, the corridor can't be ignored. It's a major component of our trade infrastructure, and this government, more than any, has been very excited about our export opportunities. This is becoming one of the fundamentals of that kind of opportunity. It was interesting to see Minister Eves actually pick up on the language of trade corridors and even mention our gateway in his discussions with the Ontario Good Roads Association. We now have to complete the job.

I will give you a really interesting example. In the Detroit Free Press in late December there were three full pages called "The 401, the Death Trap." That is very much integrated and interrelated with trade corridors. When you have efficiently designed transportation infrastructure that handles the manufacturing process and that handles tourism, you're not going to see three pages in the Detroit Free Press called "The 401, the Death Trap." The amount of money that one of your departments—ie, the tourism department—is going to have to spend in advertising to counteract those simple three pages in the Detroit Free Press is fascinating. It's a critical area for us as a board of community in Sarnia-Lambton, just as much for Toronto as you're starting to see. I think just last week they signed an accord with respect to transportation and are looking to begin negotiations with the Ontario government to maybe do some cost-sharing on municipal infrastructure.

I'll turn it over to Gus just to deal with the gaming revenues issue.

1010

Mr Mumby: Point Edward, hopefully in the next couple of weeks, is going to become the home of one of the province's new charity casinos. Presently, Sarnia enjoys having the casino/slots in its municipality. These are both clearly significant contributors in terms of employment to the Sarnia-Lambton community, and the community has embraced these two opportunities. However, there still are a number of challenges now that we have had some experience with slots. We just wanted to share those challenges with you and also provide you with some recommendations.

First of all, there have been studies done and it has been determined that the present expenditure of a casino

visitor outside of the casino itself is only \$3.80, which we find to be somewhat alarming. Communities require a strong tourism infrastructure to increase visitors' expenditures that will benefit the entire community. The benefit of the casino/slots for a host community is premised on tourism spending in the entire community. From a community development aspect there is a concern that many of our community support groups are already experiencing substantial shortfalls in fundraising.

There has been a tremendous change over the last few years in terms of the gaming industry. We have a number of organizations in Sarnia that have been dependent upon bingo revenues, and with the introduction of the slots etc, the bingo industry has experienced a significant downturn. There are a number of organizations which are being hurt by that.

Sarnia-Lambton is preparing for tourism growth. It is an undervalued market that will provide the tourists with excellent value for their dollars. However, to be successful it must develop a broader and more diversified tourism infrastructure. Communities with smaller charity casinos need a strong impetus on the part of the provincial government for all the parties to benefit. This means that provincial investment must be beyond just the direct investment into the casinos themselves.

Therefore, we have three recommendations that we would like to leave with you: first, that the Ontario government review its funding formulas for host communities, including the Trillium Foundation grid formula, municipal support and potential infrastructure investment; second, that the government share in the research of the economic and social impact of casinos in host communities or fund the community to conduct its own research; and third, that the Ontario Lottery Corp be required to actively fund tourism promotion in host communities to support community efforts and have casino visitors enjoy Ontario tourism opportunities other than just the casino.

I'd like to turn it over to Michael for closing remarks.

Mr Van Pelt: Just one more thing before quickly closing. Just to deal with the final issue, energy and economy, this isn't specifically an economic issue, but as we know in governments, many of the non-economic issues have very much of an economic impact in communities.

Sarnia-Lambton can, and should, benefit substantially by the changes in energy deregulation. Right now we have two major opportunities coming online. Your own government touted the TransAlta opportunity, which we're very excited about, which is a gigantic investment into our community. Since then, Enron has made an announcement. Enron is in the top five energy-producing companies in North America. They will create a peak facility, and we know confidentially that two other companies within Sarnia-Lambton are doing the work, doing some of the engineering to be able to determine whether they in fact are going to launch cogen opportunities also. So Sarnia-Lambton is very poised to benefit from this and should be in a position where our costing for hydro

within Sarnia-Lambton is, number one, very, very competitive and, number two, we are in a position to, at some point when the regulations get there, be able to export those resources.

We do have a number of concerns, though, and I think you already have an indication of those concerns that you're dealing with in everyday life. The process is starting to take very, very long with the Ontario Energy Board, the numerous kinds of regulations that have to happen. We're very concerned that that process ends up limiting the investment and the kinds of commitments companies will make, ie, reducing the size of their operations, reducing the size of their investment and becoming a little more strategic, kind of limiting their commitment just to see where the water is actually going to land, because it's becoming more and more confusing where the regulations are going to land and their impact on the community. Much of that is obviously surrounding making sure that the existing Ontario Hydro companies are in reasonable shape to actually launch themselves successfully into a competitive market.

We are actually concerned that there is preferential treatment for those existing Ontario Hydro companies. We give one example with the Ontario Hydro Services Co. For example, we actually have one situation in Sarnia-Lambton right now where a company is looking at a major investment, but the cost to do the hydro capital upgrades for that company is very, very high. They have no negotiating power. They have no room because, "It's Ontario Hydro Services Co you're dealing with, period, and we'll price whatever we feel like." For example, we need some bidding opportunities or some arbitration environments there to move that along and make sure these changes do not affect our ability—that's what we're looking for—to allow energy deregulation to be one of the most successful economic development tools in Sarnia-Lambton. That's what we need to happen, and it's very cumbersome.

We were reluctant to bring this up, because it's really specific technical issues that are causing very large or potentially large economic challenges for us to deal with. Just to get our membership informed on how this process is working is a difficult challenge.

I guess our recommendation is then to do whatever your government has the capability to do to move this issue along with greater speed and watch and monitor what we think is the preferential treatment to design Ontario Hydro companies most effectively to move into the new market and not be in financial difficulty within months of their moving into that market.

In conclusion, the Sarnia Lambton Chamber of Commerce appreciates the opportunity to speak with you. We are very positive and determined about the future of Sarnia Lambton. We're also realistic about our present situation. We are preparing and are already taking control of our own future. However, we believe it's time that the province's helping hand reaches out, or I think the terminology was "reaching up," to Sarnia-Lambton. Thank you very much for the opportunity for us to present.

The Chair: Thank you very much. We have approximately three minutes per caucus.

Mr Christopherson: First off, let me just say whoever designed your package here did a great job. We get an awful lot of these things, but this one sort of stands out to me.

Mr Van Pelt: We're good in Sarnia.

Mr Christopherson: Yes, I can tell. But this is excellent.

Mr Van Pelt: Thank you.

Mr Christopherson: You mentioned on your first page—it's numbered 3 but in your opening comments—the fourth paragraph down, "The fact is, however, while Ontario has enjoyed one of its most successful periods of economic growth, Sarnia-Lambton has not." Correct me if I'm wrong, but I would suspect that your view of things right now is, number one, a recognition that things are booming, especially the American economy, which is all but defying gravity in terms of the length of the current boom, and yet a recognition that this won't last forever. What goes up does come down, and it's not a question of if but when. There will be major market correction and when that happens, nobody yet is sure whether it's going to be what they call a soft landing or whether we're going to get into a hard, long recession, as we went into in the early 1990s.

Again, I'm asking for your comments on this. I would think your sense is we've got to hit while the iron's hot here, that we've got to grab some of that and get this infrastructure in place and start to benefit from some of what is happening in the rest of Ontario, or you're going to be in serious trouble if that economy falls and it goes severe, with a very long and gradual pullout, leaving you even further behind.

Is this—I don't like to use the word "desperation," but certainly a sense of urgency that you've got to make up some ground because you haven't been able to keep pace with the rest of the province, and that's why you're imploring the government to move quickly on a lot of these key local micro-issues?

1020

Mr Van Pelt: Clearly, that's the answer. Add to that some very optimistic and very positive and determined character on the part of the community and that's a perfect mix. The reality is we're dealing with structural situations that you don't change very quickly. You don't change demographics very quickly. When you're having challenges keeping young people in a community, that is a structural challenge that doesn't get fixed in one or two or three years. We have to make sure we have the infrastructure, the economy, to actually attract young people into our community and to keep them.

If you look at the direction of the petrochemical industry, there are long-term structural changes that are happening in that petrochemical industry and that are going to keep happening. We've suffered from the larger part of downsizing in the petrochemical industries, but some of those billion-dollar investments are going to be run by less and less people. We're becoming innovative

in terms of creating secondary industries. Energy is one of those secondary industries out of the petrochemical industry. We're pulling in some auto parts companies, but we need to move quicker to be able to deal with that situation so that when the economy turns, when things aren't as wild as they seem to be in the rest of Ontario, we're at least structured to be able to have a reasonably strong economy.

Mr Christopherson: I don't know this, but I would think that when there's a downturn one of the first places you'd notice it would be in the auto industry. I don't know if you were here earlier when I was reminding committee members that most of the economists who have come in and talked to us have said a lot of what's happening in Ontario is as a result of the booming US economy, in particular the auto industry. So any community that's directly tied to that will be impacted harshly. Second, with the petrochemical industry, if everything starts to slow down that means trucks are moving less, people will move around more.

In terms of diversifying to protect yourself and cushion yourself from that—you don't want to have all your eggs in one basket, particularly if you're not building up surpluses and benefits during the boom time—what other steps are you taking locally to diversify your economic base?

Mr Van Pelt: We have actively taken those steps, and your Chair happened to be involved in some of those steps. We have a very positive Council for Economic Renewal, which is an innovative economic development opportunity that has had more economic investment put into it in the last three or four years than I think Sarnia-Lambton has seen in its history. It's starting to deliver. We picked up a call centre last week of around 500 people. So that's moving along. The community is putting the fundamentals into place.

What we're saying is that the province and the federal government are very key players in terms of the future of our economy just by noting the two pieces of legislation the province has been involved in. We want to make sure that Sarnia is front and centre in the face of the provincial and federal governments, that we're going to benefit from every single opportunity. The provincial and federal governments are major investors in all communities.

Mr Christopherson: I know I'm out of time, but I just want to get a cautionary note in. On your support of Bill 31, if you're looking to bring new demographics in, in terms of labour, this was not something that labour was very happy with. It was rammed down their throat, and publicly saying you think this is a wonderful thing, I just suggest to you, is not a positive message out there.

Mr Van Pelt: I'm not sure we said it was a wonderful thing. I didn't read that in the report. What we said is: "Do you know what? It hasn't delivered yet. It's a temporary notion and this government has to start thinking seriously about how we're going to act and live beyond those project agreements because something has to be done and it will be a provincial responsibility."

Mr Johnson: I wanted to say hello again, Mike and Gus. Good to see you again.

Mr Van Pelt: Good to see you again.

Mr Johnson: Thanks very much for taking your time to present to us. You've covered a lot of ground, what with assessment and mill rates and taxes and all those other things that will influence Sarnia's ability to compete in the future.

I want to touch for just a minute, if I could, on the SuperBuild Growth Fund. I didn't know if the perception was that that is a fund of money that you have an application for, and, "Where's my application? I want to apply for it," sort of thing. I think of it more as kind of an empty basket where somebody comes along and says, "This is what I want to do. I want to build another bridge. I want to put bridges in Sarnia," those sort of projects. "I want to do those things that will make the community viable into the future," and so on. It's the sort of thing that you bring your ideas, your dollars and your commitment to.

I see Sarnia as having two completely distinct challenges. One is that a lot of people pass through your community. It makes it hard—and you mentioned it in connection with casinos—to get those people to stop for a day or a couple of days and stay at your motels and eat in your restaurants. By building bridges—I think your twinning, for instance, will be a little bit like opening a dam where there's water building up behind it and it will allow you to take advantage in the future of those economic stimuli that result from it. The other one I see is in power generation.

I just wanted to suggest to you that both of those are the sorts of ideas that I'm sure this basket of super-growth would be very receptive to. Thanks very much for being here.

The Chair: We're out of time. The official opposition.

Mr Monte Kwinter (York Centre): Thank you very much for your presentation. I just wanted to talk about gaming revenues and the concerns that you have.

I sat on this committee when we looked into casino gambling for Ontario. We went to Windsor, and the people in Windsor were very enthusiastic about their casino. They made presentations to us in which they said they were going to run shuttles between the casino and the shopping centres out in the suburbs; they were going to have this incredible program that was going to take people out of the casinos into the community. The stores were going to thrive; business was going to boom and it was going to be sweetness and light forever after. I suggested that that wasn't going to happen, that history says it never happens, and I was just about run out of town on a rail. The headline stories in the Windsor Star said, "Kwinter Rains on our Parade."

What has happened is—and I'm not clairvoyant; I'm just telling you the experience that has happened, and you say it right here—"Spending in the community is approximately \$3.80." Gamblers come to gamble. They don't come to shop; they don't come to do other things.

They're there to gamble, and if there's a gambling location somewhere between you and them that's closer, that's where they're going to go. So there's no question that casinos benefit a community. They benefit in the sense that they create jobs. There is some spinoff for the people who work there who may have been unemployed then get employed. They then have the ability to spend some money. But to suggest that just because the casino is there there's going to be a huge boom to tourism just is not borne out by history.

As I say, you just take a look. They used to tell me about all the empty stores in Windsor. Most of those stores are still empty. With the casinos opening up in Detroit, you will see a significant difference in the attendance, because 80% of the people who come to Windsor come from the United States.

The point I'm really making—I'm not trying to discourage casinos, because certainly the province benefits. They get huge revenues from gambling. The municipality benefits because they have taxation, they have employment. But I don't think it's a strategy that you base all of your economic—and I'm not necessarily saying your are, but that you look at this and say, "This is going to be a huge benefit for our tourism," because the history just doesn't bear that out.

Do you have any comments on that?

Mr Van Pelt: Yes, we do. I think that's the very point we're making. It's a reality in our community. We will see numerous new visitors to our community. However, the strategy within the community itself is changing the nature of the visitor from a daytripper to a destination. What you need is a fundamental change in the infrastructure outside of a casino to be able to do that. You only need small amounts. If you look at Niagara Falls, one of the reasons why Niagara Falls has seen such a benefit is because of the destination character. Their dollars per person are much higher than ours. That's why we make the ensuing recommendations that in host communities there needs to be a lot more creativity outside of just that facility, and the province should play a part in it.

We also know, and I don't think it's any secret to anyone, that the Ontario Lottery Corp's marketing is very much designed to have everyone spend everything all the time in their facility. So I think the government might have to consider some kind of stipulation, some kind of criterion in host communities where there is—and that's our third recommendation—investment into the tourism and promotion body of the community, to allow them to pull what we call a "play and stay," develop some kind of sophisticated program to "play and stay." It's extremely hard, there's no doubt about it, but we only need small numbers.

The Chair: With that we've run out of time. On behalf of the committee, thank you very much for your presentation this morning. Drive back carefully.

Our next presenter, the Labour Council of Chatham-Kent, still has not shown up, so we'll take a recess until 11 o'clock unless they show up prior to that time.

The committee recessed from 1032 to 1100.

ONTARIO SECONDARY SCHOOL
TEACHERS' FEDERATION,
DISTRICT 10

The Chair: I'd like to bring the committee back to order. Our 11 o'clock presenter is here from the OSSTF, district 10. Could you state your name for the record, please.

Ms Jane Hulme: I'm Jane Hulme.

The Chair: On behalf of the committee, welcome.

Ms Hulme: Let me begin by stating that OSSTF, district 10, regrets that the government of Ontario would choose this location to hold this hearing. This is a site that's well known in the community for its labour strife, and the workers who work here are currently awaiting the outcome of an arbitration with their first contract. We very much oppose using this hotel.

As president of district 10, I represent the secondary teachers and secondary occasional teachers of the Lambton Kent District School Board. This region is vast and extremely diversified. It encompasses the communities of Forest, Watford, Dresden, Sarnia, Chatham, Petrolia, Wallaceburg, Blenheim, Ridgetown and Tilbury. Needless to say, the secondary schools service a wide variety of clientele. There are rural students, adult students, students with special needs and urban students. The requirements of these communities with respect to their educational needs and the necessity for this government to invest in their futures by providing adequate educational funding are the issues I'd like to address today.

In its report released in June 1999, the Education Improvement Commission outlined that several issues would be problematic for the Lambton Kent District School Board. These problems are rooted in the inequities of the provincial funding formula. The funding formula was designed to be a one-size-fits-all solution to education finance. However, rather like pantyhose—and I have experience with those—this one-size-fits-all approach doesn't fit anybody.

The EIC reported that the Lambton Kent District School Board had completed a pupil accommodation study and, according to the government's formula, there were approximately 2,000 surplus spaces in the secondary schools and 5,000 surplus spaces in the elementary schools. What became evident to the board was that the majority of these surplus spaces were in rural areas, and the school board now faces the very thorny issue of school closure. In all, the board is considering closing two secondary schools and five elementary schools.

The community of Watford, for example, is faced with the very real threat of closure of both its secondary school, which is East Lambton Secondary School, and one or two of its elementary schools. This is very much a community in crisis. The proposed plan would see secondary students bused to the communities of Forest and Petrolia, while students who are currently living within

those catchment areas would be forced to attend high school in other communities, namely Sarnia and Dresden. Students from Watford who now attend East Lambton would be divvied up and sent hither and yon. This has a devastating effect on the cohesiveness of the adolescent population within eastern Lambton county. For the general public in east Lambton, the high school is the hub of the community. Local merchants will suffer loss of revenue, as the local students generate a lot of business. Real estate values for the area will drop—we're anticipating that—as proximity to schools is a real selling point, and families tend to live in subdivisions and towns that are close to schools.

Who is at fault for this dilemma? Surely this government is going to place the blame on the board of education as, rightfully so, the board must make the choices regarding which schools will close. But what has forced this decision is the fact the funding formula decrees what constitutes a rural school. Anyone who has ever been to Watford would see that the community is nestled among some of the most lush farmland in southwestern Ontario. The town itself has a population of 1,700. It's home to CornFest every August. For miles around, as far as the eye can see, there are pastures and tractors. But this secondary school doesn't meet the requirements of a rural school that would entitle the board to extra grants. It is located one kilometre too close to the ever growing community of Petrolia, a community that is currently enjoying some industrial growth. The citizens of this community have attended many meetings with respect to this issue and have offered many concrete recommendations. School closure is a hot topic in our area, particularly for the communities that are encompassed by the school board boundaries. The lack of empowerment has left most of the citizens extremely frustrated.

What community school will be safe within the context of the funding formula? The community secondary schools situated in Tilbury and Ridgetown are also at risk, given the comparatively low populations of their schools. If East Lambton Secondary School with a population of just under 300 is at risk of closure, then surely Ridgetown and Tilbury secondary schools, with populations of just above 300, will be slated for closure in the upcoming years.

When will it end? What small community school will exist under these conditions, and what will happen to Ontario's small towns? The lack of ability for the community to decide if they want to support these schools—and by this I mean the ability to raise some additional funds through local taxation—severely limits the power of the local citizens. The reality of Toronto's calling the shots has disenfranchised the citizens and has left the majority feeling isolated from the very education system that was envisioned by Egerton Ryerson.

With respect to adult education, the funding formula outlines that these are non-classroom expenditures. The cuts to funding levels have meant a drop from \$7,000 per student to a new rate of \$2,257 per student. While the school boards have been offering continuing education at

night school for decades, the night school programs do not have the success rate of the adult day school programs.

In 1996, OSSTF conducted a survey that found that among adult students, 63% were female, 16% had disabilities, 53% needed English-as-a-second-language assistance and 48% were on social assistance. Are these not the people who need the programs that are designed to meet the special learning needs of adults?

The same OSSTF survey indicated that in the past 83% of adult daytime students got a job or moved on to further education after graduating from adult programs. By cutting the funding to these programs, are we not condemning these students to failure? Despite the high success rate of adult day school programs, the funding formula gutted available funds for adult education. In the Lambton Kent District School Board, this means that the adult education centre in Sarnia will forever close its doors. It means that the ability for adult students to remain in the milieu of their peers and not have to suffer the shame of completing their high school education in the same building as their own children is forever lost. It means that very specific needs of those vulnerable adults cannot effectively be addressed. It means that the barriers to employment will not be erased and that the majority of these students don't even have a chance of breaking the social assistance cycle.

The funding formula mandates that no money could be allocated to "non-classroom" lines. The citizens of our communities don't even have the power to ensure that programs like the adult day school can be made a priority. The restrictive nature of the funding formula ensures that local budgetary decisions cannot be made.

Special-needs students are also at risk, given the drastic underfunding that has occurred in this area. The bureaucratic red tape that is necessary to fill in the grant applications for students with special needs is extraordinary and extremely unwieldy and takes the teachers away from direct service to students. The process seems designed to discourage applications, and the technology provided to make these applications often crashes and causes teachers extreme stress and inordinate hours of extra work. Once again, poor planning and inefficient practices are putting the educational needs of our students at risk.

Students whose progress has been marginal, who had previously been placed in what we used to call basic level programs, with educational supports such as educational assistants, lower class sizes and extra resource teacher assistants, are now all lumped together with students who do not require the same supports. Not only is there no equivalent academic level at present in the new curriculum, but lack of funding dictates that there are very limited opportunities for access to the aforementioned educational supports.

Educational assistants are allocated based on grants for which the former basic level student does not qualify. The size of the classes in the aggregate is mandated by the funding formula to be 22 to 1 for secondary and 25 to

1 for elementary. Resource teachers are allocated based on school size, not based on the number of special students within the school. The funding formula mandates that the ratio of resource teachers to students will be 3.6 to 1,000 students. This means that despite the fact that in a school like Alexander Mackenzie Secondary School, where there are 300 or 400 students who are IPRC'd—that's the process for identifying these students—as having learning difficulties and special needs, the funding formula only provides 1.5 resource teachers. Another school, with a student population of 1,200 and perhaps only 100 IPRC'd students, would generate 4.3 resource teachers.

1110

In Wallaceburg, a community with a very high population of First Nation students, the school has a population of 1,200 and has 1.5 resource teachers. These students have traditionally utilized many special education services, and the supports that were promised to the band are becoming increasingly difficult to provide.

The government insists that the funding for special education has increased; however, in the Lambton Kent District School Board the funds have actually decreased. The combined special education spending for the former Lambton and Kent boards was \$19 million for approximately 3,400 students prior to amalgamation. From these grants, teachers, educational assistants, psychologists, paraprofessionals, speech pathologists and counsellors were employed to work directly with students with special needs.

Following amalgamation, the board was provided with \$15.9 million in special education grants. The board opted to use one-time grants—they were called mitigation and stabilization grants—to subsidize special education budgets by a further \$2.5 million to continue with what the EIC deemed to be the exemplary special education practices. Indeed, the Education Improvement Commission recognized that the Lambton Kent District School Board had "exemplary process for amalgamation for special education programs and services." The funding reductions experienced by this board will make it impossible to maintain the current initiatives.

The intensive support amount grant—we call that the ISA grant—was supposed to provide funds for intensive support for high-needs students and was to follow the student. The portability of the grant has not been seen, and when students move from another school board to ours the dollars have not come with them. The number of these students has increased from 331 students in the 1998-99 school year to 487 students in the current school year. No additional dollars were allotted to the board as the ISA grants were frozen at the 1998-99 school year by the Ministry of Education. The lack of funding for these additional 156 students has severely strained budgetary lines and, as indicated, jeopardizes the very services so necessary to our high-needs students.

The board, the SEAC committee, parents, teachers and students have not remained silent on these issues. They have written to their MPPs, they've written to Janet

Ecker, the Minister of Education, to express their concerns. To date, there has been no response that addresses their specific concerns.

The very recent announcement of a grant of up to \$40 million for special education is to be divided among 70 boards of education, and it is a red herring. This division will not occur evenly, with the majority of these grants being given to boards in large urban centres. While these boards certainly have need of the additional funds, it can once again be construed that boards with a higher rural population, such as ours, are being left out in the cold.

The promise of this extra \$40 million is like the proverbial drop in the bucket for special education programs throughout the province, and as yet the Lambton Kent District School Board is unsure of the amount of its allocation after this announcement.

In a report to the ministry, superintendents of school boards recommended that special education funding needed an additional \$100 million to provide the same level of service. Why has the ministry not responded?

As I have outlined, there is significant evidence that funding constraints are having a substantially negative impact on the programs and services so necessary to meet the needs of all our communities and the clientele within the purview of the Lambton Kent District School Board.

With this in mind, I offer the following recommendations: that the mitigation and stabilization grants be reinstituted until a complete review of education finance has been undertaken; that some level of local taxation be permitted in order to empower the trustees and local taxpayers with the opportunity to set some of those educational priorities for their own communities; and that funding be restored to adult education programs so as to provide adult students with opportunities for success.

The Chair: Thank you. I would like to clarify the record. Regarding your statement in the first paragraph, the locations are picked by the subcommittee of the standing committee on finance and economic affairs. The subcommittee is made up of one member from the government side, one from the opposition and one from the third party.

Mr Christopherson: Mr Chair, a point of order on that point, because I was going to raise it in my comments: The last thing in the world I ever like to do is take the government off the hook for anything, but nonetheless the truth is the truth. I was on that subcommittee and I urged that we meet here. You may or may not know that I was invited to speak when the strike was on. I came down here and spoke to the picketers. The fact that it was then unionized seemed to me to be a good reason why we ought to be here: to send a message to employers that there are clear benefits to allowing and supporting your employees to be unionized.

So if there's any blame, which I don't think there should be because I philosophically agree with what I just said, it is mine and not anyone else's. I was the one who urged that we meet at this location.

The Chair: Thank you very much. With that, we have four minutes per caucus. I'll start with the government side.

Mr Arnott: I just want to say that we are glad to be here in Chatham and glad that you had the opportunity to come forward and express the concerns you may have on behalf of your membership.

I do have one specific question. I found it quite startling, on page 4, where you talked about the Alexander Mackenzie Secondary School, that 300 of 400 students, 75% of the students in the school, have been identified as requiring special needs. I wonder if you could briefly explain what kind of process is undertaken to identify students as having special needs whereby three out of four students in a school are identified in that way?

Ms Hulme: The IPRC process is a process whereby students meet with psychometrists, psychiatrists, board personnel, many paraprofessionals, and doctors sometimes also are involved. The recommendations come from them as to whether these students have learning disabilities; they may have ADHD, they may have higher needs than that, they may have physical disabilities. Those students, if they have physical disabilities, meet a different criterion of grant. There are different levels of identifying students. You can identify students at the higher level also, to be gifted students, and they would also be IPRC'd.

Mr Arnott: I just wonder if that identification process has changed in recent years to—

Ms Hulme: No, it has not.

Mr Arnott: Would that be typical of other high schools?

Ms Hulme: No, this high school is absolutely atypical, but it is a high school that has 300 of 400 students who have been IPRC'd.

Mr Arnott: So there would be unique challenges there that the board has to address.

Ms Hulme: Very unique challenges, yes.

Mrs Molinari: Thank you very much for your presentation. I'm glad my colleague asked that question, because when I saw that I thought, that's very unusual. That's not the norm, that's rather the exception. I'm sure the board is pursuing the ministry with respect to situations like that, because with special education there are two grants, as you know. There's the ISA but there's also the SEPPA grant. In a school like that, I could see how that wouldn't be of as much help as it is to other schools where there isn't the high ratio of special education.

I want to address some of the points you made with respect to the funding formula and classroom versus non-classroom expenditure. You indicated that the "formula mandates that no money can be allocated to 'non-classroom' lines." That's true, but there's another side to that. The funding formula is made up of classroom expenditure and non-classroom expenditure, and there is flexibility where non-classroom expenditure can be used for classroom expenditure. The protected one is the classroom expenditure, because the government's view is that it wants to ensure that money dedicated to the classroom

is in fact spent on the classroom and not in other areas. So there is some flexibility.

Ms Hulme: My point there was that adult education programs are deemed to be non-classroom areas.

Mrs Molinari: Yes, because they're adult education programs; they're not specific to the students in the school. That's an area that needs to be addressed, I've heard from a few people. There's the other side to that too. I've heard some say that we shouldn't be in the business of adult education, that we're there to educate the students in the schools who are there from junior kindergarten right through to finishing Ontario secondary school. That's a whole other argument that can be for another time.

1120

You also mention the difficulties with the community that needs to look at the possibility of school closures and the fact that one particular school is one kilometre too close to be considered a rural community. We've heard a number of presentations and comments from people who have similar concerns because of what it does to rural, that it's not the same as urban. I know the minister is looking at those very carefully.

On the one kilometre, I guess what I'd say to that is that there has to be a cut-off somewhere. If it's one kilometre over, they'll say, "That's another kilometre." It's really difficult to determine what's considered and what isn't in distance spaces, because the cut-off has to be somewhere. I'm sensitive to those comments.

Mr Hoy: Thank you very much for your presentation. You hit on a number of points. I want to particularly mention your concern for rural school closings, not to say that you aren't concerned about urban school closings. I have been concerned about this for some years now. Romney school, which was closed, was surrounded by fields and woodlots. People there told me that deer from time to time ran through the backyard. To me, that seemed to be the perfect example of a rural school, but the rural school grant or the small school grant either didn't apply to them or wasn't available to them. It just seemed strange. I think we must look closely at rural schools and the grant system.

You're quite right: I have had representation made to me on an informal basis by people who are quite concerned about schools in the Kent portion of the Lambton Kent District School Board; Tilbury and Ridgetown and perhaps others as well.

I particularly took note of your suggestion 2, to allow some taxation at the local level so that better decisions, I would think, are made for the local community in terms of its ability. Do you have any opinion as to how much taxation the local community should be responsible for? Do you have any view on that at all?

Ms Hulme: I would think that would have to be in addition to the funding formula allocations. There shouldn't be a clawback because local school boards have decided to do that. I would think anywhere from 5% to 10% would give them the flexibility to do some local prioritizing.

Mr Hoy: During your involvement with schools and education in all aspects, have you ever witnessed a school that was closed reopen?

Ms Hulme: Never. In fact, in 1986 there was a school in Sarnia—that's where I originally come from—that was sold to the separate school system for \$1 and was never returned.

Mr Hoy: My understanding is that some months ago Romney school had not been disposed of. It may be now, but at the time I asked the question it was vacant and unused. In my community, the Merlin District High School, which I attended, was eventually torn down and is a vacant lot now. I certainly do have a concern for smaller communities and their schools, as I do for urban communities, and I appreciate your comments today.

The Chair: Mr Kwinter, you still have a minute and a half.

Mr Kwinter: I'd like to talk about the whole issue of where they're closing down schools and busing them to a community, but to accommodate them they're taking children out of that community and busing them somewhere else. Can you explain that to me, how that works?

Ms Hulme: That's a local board decision they have proposed to try and address the needs of filling up all the empty school spaces, according to this funding formula. Schools that have existed with the same population are now deemed to be underutilized, so they're trying to move the bodies around, so to speak, to fill up the spots. They're doing that through boundary changes to schools and adding to busing.

Mr Kwinter: So it's really a leapfrog system, where you bring someone in and then you move someone out, and then they probably are going to be displacing somebody along their way. Where does it end? How does it make any sense?

Ms Hulme: The whole community will be affected. It's not just the community of Watford that's going to be affected; it's every community. Dresden, Petrolia, Sarnia, all the school boundaries are slated for change to address this one issue.

Mr Christopherson: Thank you for your presentation.

I would draw to your attention that the first presentation we heard this morning was from the Chatham and District Chamber of Commerce. Under the heading "Maintaining Excellence in Education," they said:

"The Chatham and District Chamber of Commerce believes that education from early childhood education to post-graduate studies, including the vital aspects [of] apprenticeship studies, are important components of making Ontario North America's leading economy.

"The chamber supports many of the government's actions to reform the education system."

I drew to their attention that while they on the one hand support the tax cuts that benefited the very well off in our society, it has to be paid for somewhere and one of the places it's being paid for is in our education system. There's a crisis there, and there's a bit of a lack of continuity in terms of arguing that the tax cuts should con-

tinue, but you want to support the education system. You can't have it both ways. Chambers are usually the first to acknowledge there's no free lunch.

The government member, when speaking—I didn't get an exact quote, but it's pretty close—said, "The government wants money spent on classroom expenditures and not on other things." Of course "other things," when you phrase it that way, almost sounds like frivolous sorts of things, fat in the system, inefficiencies. But the reality is those other things happen to be heating the classroom, turning the lights on, cleaning the classroom, providing computer maintenance and, in a rural area, as we're in today, transportation, which is a huge issue. None of those things have anything to do with classroom spending, if you listen to the government.

Also, the government goes on record as saying they support lifelong learning, but it's only for people who start kindergarten and then, with no break in their education, go through the formal system. First of all, what happened to lifelong learning, and what about the notion of somebody who goes out for a few year and spends some time in the real world and then decides they want to go back to school? They just don't count. There's so much inconsistency, and I'm really glad you're in here exposing these things.

You point particularly to the adult education and that funding levels have dropped from \$7,000 per student to \$2,257, and you point out that the cookie-cutter approach isn't working. The government argues: "It puts everybody on the same playing field. It's unfair that there were some boards that had more money than others." Yes, they're right; it is unfortunate. But we had one presenter who came in and said, "You know, it never dawned on me that you'd go to the lowest dollar figure and drop everybody down to that."

I want to ask you where you think the education system is going to be in five or 10 years if there isn't a major turnaround in the funding for our education system. Where are we going to be if we continue down this road?

Ms Hulme: Programs like special needs programs and the adult education programs are definitely at risk. I can see that the crisis that was going to be created a number of years ago is certainly coming to light.

Mr Christopherson: What does that mean for the students, those programs not being there?

Ms Hulme: There is a lack of funding available for the resources they need in terms of people to assist them with their special needs.

Mr Christopherson: What's their future without that?

Ms Hulme: Their future without that is very risky. We have a high level of graduation for students who have gone on to succeed in life. Without these supports, I'm not sure how successful these kids are going to be.

Mr Christopherson: With the chamber calling for the need to maintain the excellence in education, yet the government still hacking away and refusing to acknowledge the damage they're doing—and you can hear the government, and they're not apologizing for anything.

Their best they can do is keep talking and use up the time so you can't respond to them, which is a trick of theirs when somebody comes in and points out all the problems they have.

In your opinion, don't you think it would be wise for the chamber and others who are only looking at the bottom line to recognize that they're being very short-sighted? We had one economist say that those of us who are boomers are really like pigs at the trough, because we benefited from the expenditures that created the debt and those of us who are at our high earning peak capacity are benefiting from the tax cut, and the generation following may look at us as pigs at the trough. If all this continues, don't you think they need to wake up and realize that this is short-term gain for a very few and long-term pain for everyone, including the economy, at the end of the day?

Ms Hulme: Absolutely.

The Chair: On behalf of the committee, thank you very much for your presentation.

1130

CAW CHILD CARE SERVICES

The Chair: Our next presenters are representatives from CAW Child Care Services. Would you please step forward and state your names for the record.

Ms Heather Boyer: Heather Boyer.

Mr Earl Dugal: Earl Dugal.

The Chair: On behalf of the committee, welcome. You have 30 minutes for your presentation.

Mr Dugal: Thank you very much, Mr Chair and members of the committee. What we want to do this morning is walk you through the child care issues that are happening in the province today. With me is Heather Boyer, the administrator of the child care services that we have for our union members and for some people in the public sector. With that, I am going to turn it over to Heather. At the end, we will be glad to answer any questions.

Ms Boyer: CAW Child Care Services, which began in 1989, began in partnership with the union, the corporations and government, with a vision that child care is a right for all Canadian children. As an organization, we are active members of the Ontario Coalition for Better Child Care, and we believe in and support their mandate to advocate for the development of high-quality, non-profit child care services in Ontario.

Over the past 10 years, we have closely watched as the government of the day made promises to child care that didn't materialize. The current environment in Ontario has seriously affected the accessibility of quality services and threatens to destroy an entire system that was once envied by every province in this country. Although the Ontario government maintains that it is spending more on child care than any previous government, the actual annual child care expenditure per child has dropped 15% since 1995. Between 1995 and 1998, the number of children under the age of 12 with mothers in the workforce

increased by 70,000, but only 19,000 new child care spaces were created.

Municipal downloading: The downloading to municipalities of child care costs were fully implemented in January of this year. Municipal governments are still trying to assess the impact as they prepare their next budgets. To support the transfer of child care costs announced in 1997, municipalities were given the ability to retain 100% of subsidized parent fee revenue to offset costs or enhance service. They were shocked when this support was recently deemed an interim measure and withdrawn. This latest move by the province gave municipalities the discretion to reallocate wage grants as a method of managing increased child care costs. Although based on the principles of equity, reallocation will result in lower wages for the majority of child care staff.

Child care in schools: 40 percent of Ontario's licensed child care is located in schools. However, recent education reforms do not treat these programs as legitimate school expenses. If forced out of schools, child care programs have no capital funding to relocate.

The Ontario Coalition for Better Child Care has conducted a survey to determine how child care programs in schools are being affected by education reforms. The survey data reveal that child care programs across the province are facing eviction, increased rental costs and reduced space. These and many other issues are jeopardizing the important link between child care and schools.

Changes to OSAP regulations: The 1996 decision to remove parents in post-secondary education from social assistance and eliminate the child care bursary is still having a devastating impact. Low-income parents who continue to struggle for a better life for their families are graduating with untenable debts and are the only parents expected to borrow in order to pay for child care.

Pay equity: While legislation mandates that child care programs continue pay equity adjustments beyond 1998, the province refuses to flow additional money to meet this obligation. Child care programs are being forced to decide between making the pay equity adjustments and accumulating debts that will become unsustainable, or discontinuing further adjustments that would be in direct contravention of the statute. Both options are untenable.

Ontario Works child care: Municipalities' inability to implement this program was documented in the KPMG report that concluded that the Ontario Works program could not succeed in the long term with inadequate access to child care. It predicted that children of Ontario Works clients would be forced into informal care, irrespective of parental choice.

Some municipalities have indicated that they will use only unregulated care for these children because of the lack of adequate funding. This is the first public policy in Ontario to determine that the children of welfare recipients will be limited to unmonitored care. Some of our neediest children are being placed at risk.

Playground directive: In September 1999, the Ministry of Community and Social Services' new playground directive required operators of licensed child care centres

to meet new Canadian Standards Association standards for outdoor playgrounds. All licensed child care operators were also required to develop a playground safety policy.

While the child care community supported the move to ensure outdoor play environments are maintained in a safe manner, they were astounded that the government would expect them to implement such a policy without adequate training and capital funding. Successful implementation of this directive requires partnership. If the government is serious about keeping children safe, it should ensure that the necessary resources and training are available.

After many years of advocating for children, the Coalition for Better Child Care has come to appreciate that what families in Ontario need to support them through the parenting cycle is a holistic approach to providing support during the early years. In Ontario, parents need a judicious mix of benefits and services that are targeted at identified needs and not designed to favour one family type at the expense of another.

The formula for good child care is no mystery. Extensive research shows that quality programs such as the program CAW offers have high adult-child ratios, consistent caregivers, small group sizes, appropriately trained and compensated staff, and adequate physical environments. These elements of quality care depend on adequate public funding, non-profit delivery, parental involvement and enforced regulatory standards.

Numerous reports, studies and experts in the areas of social policy, health, economics, education and child development agree that the best way to support children is by supporting their families through progressive family policy. CAW Canada and the Ontario Coalition for Better Child Care are calling on the provincial government to invest in the future of Ontario by developing a comprehensive system of early childhood development services, including child care, to support families during the important early years of child development.

We now know from the volumes of research available to us that the early years are too important to waste on the patchwork of disjointed and diminishing services available today in Ontario. Dr Fraser Mustard and the Honourable Margaret Norrie McCain, of the Early Years Study commissioned by the present government, urge a holistic approach to early child development and parenting, and it is needed as early as possible with leadership and commitment. It is time to transform the knowledge and understanding we now have into action.

Why do we need a system of early childhood development services? It supports healthy child development. We recognize that regardless of a parent's employment status, early childhood development opportunities benefit all children and help them realize their full potential at each stage of life.

It fosters economic growth. Early childhood development services enable parents to work or enter training so they can access employment opportunities. Flexible,

reliable, affordable services help parents maintain their employment.

1140

It creates jobs. With government investment, early childhood development services will create thousands of jobs over the next 10 years; reduce child poverty; affordable early childhood development services allow parents to participate in the labour force and to support their children; and they invest in the future workforce. High-quality, accessible, early childhood development services provide children with the best possible start in life so they can become skilful, competent workers. It is more cost-efficient for the government to invest in high-quality services now than pay later for the results of low-quality or non-existent services.

The Ontario government can make the development of early childhood development services a high priority by co-operating with the federal government in the negotiations of a national children's agenda and by allocating their own additional resources.

CAW Canada and the Ontario Coalition for Better Child Care recommend that:

(1) The Ontario government return to its traditional leadership role in developing licensed, quality child care by making substantial new investments in this sector;

(2) The Ontario government undertake a five-year plan to double the capacity of licensed child care;

(3) The Ontario government provide ongoing funding for mandatory pay equity adjustments in recognition of pay equity principles;

(4) The Ontario government make more provisions for licensed, quality child care for Ontario Works clients and exempt parents who are unable to obtain licensed care from Ontario Works participation requirements;

(5) The Ontario government amend the education funding formula to support school-based child care;

(6) The Ontario government reinstate the policy which required all new school buildings to include child care space;

(7) The Ontario government make new and substantial investments in children to address the serious issue of child poverty;

(8) The Ontario government provide the necessary resources and training to child care programs to enable them to meet CSA standards and implement safe play-ground policies; and lastly,

(9) As a signatory to the National Children's Agenda, the Ontario government demonstrate vision, political will and commitment to children in the next provincial budget.

Thank you.

The Acting Chair: Thank you very much for your presentation. In rotation, it's the turn of the Liberal caucus to start off, if you have any questions.

Mr Hoy: Thank you very much for your presentation. You make suggestions at the end of your presentation about a five-year plan to double the capacity of licensed child care. In the beginning you mentioned that between 1995 and 1998 the number of children under age 12 with

mothers in the workforce increased by 70,000, but that only 19,000 new child care spaces were created. So your recommendation, I assume, for a five-year plan to double the capacity would alleviate that statistical analysis at the beginning?

Ms Boyer: Yes.

Mr Dugal: One of the big issues we're finding today in this whole area of early childhood education is the fact that the children themselves are not being educated to the point where there are spaces available for them. What is happening today is that they're allowing for a child tax credit, which really does not provide any spaces for new children in order for them to have this type of development in education. This is the seriousness of the whole program, trying to educate the youth while they are young to going into the workforce in a later year, to make them educated, because spaces are not available to do that. What we're looking for, I guess, in the presentation from finance to the Ontario people, is something to create more licensed spaces to help the people who are looking for work to have that kind of care for their children while they go to work.

Mr Hoy: I recently attended an event where scholarships were given out to some very bright young individuals. They hoped to have better employment than they do now, but in some cases their situation is that they are entering into what is commonly called entry level jobs, which have wages they hope to certainly acquire but to increase over their time, gain some experience and so on. So I appreciate the fact that you mention that a graduating student could use this help. They are not always moved right into the workforce at the top dollar within their field and should move on, eventually. Is that what you meant by favouring one family type at the expense of another, the income level situation that may or may not improve over time? Is that what you meant by one family type?

Ms Boyer: Yes.

Mr Hoy: It's based on income bracket.

Ms Boyer: That's right.

Mr Hoy: You mentioned that schools should include child care space and you heard the presentation just prior. I have some concern that the school itself would even exist, let alone have a child care space, and that's a component that is significant to rural Ontario where we have greater distances than we would perhaps in Windsor, where the next school might be only some blocks away. I would hope that the government would give some flexibility back to the local board so that we can keep the school open to have a child care space develop. You talk about risk, where a child care space may not be licensed. Maybe you could describe some examples of what risks might occur if someone is forced to go to an unlicensed facility.

Ms Boyer: One statistic we can give you is that there are more children in Ontario in unregulated child care than in any other form of child care. More children have died in these unregulated environments than we've had people dying from flying truck tires on our highways.

We've had 54 new inspectors hired to monitor our highways, and not one supervisor of an unregulated child care environment has been hired to address a problem that is far more serious than people dying on our highways.

Mr Christopherson: Thank you both, Earl and Heather, for your presentation. Let me say at the outset, as not only a former member of the auto workers but as a former president of a local in Hamilton—it's 20 years ago now—I'm really proud of the fact that you've been breaking ground in this area, as you have also done in ensuring that your members have access to legal services and a whole host of social issues that go way beyond what people normally think unions do. CAW continues to be a leader in that regard.

I just want to pick up where Pat left off on the whole issue of unregulated, informal care, because there's a myth to be punctured here. The myth is that, number one, this is about choice. The government does this a lot. They will try and frame things in a way where this is about choice, that you can have a choice. Ultimately, what they want to be able to say, in terms of health care, is that you can have a choice: public health care or private health care. It's democracy. Education: You can have the public system or the private system. The fact that the public system in both those cases is going into crisis and that the choice is only available to those who have the means doesn't get on their radar screen, but that's the reality.

I'm sure they want people to think this is about either having mom come in or somebody you know next door, who is almost part of the family, totally ignoring the fact that what we've actually got is individuals who, because of tough circumstances of their own in many cases, are taking in kids. There's no way of guaranteeing that they have any parental skills for their own kids, let alone to start taking care of others'. You mentioned the number of deaths. I suspect that the only way the pendulum is going to swing back, and unfortunately we're going to lose a good part of a generation, and children are going to be hurt and die unnecessarily, is when we start having inquests. Then the whole story will get blown out and it will be on the front page of the papers and the top of the news, and eventually we'll get back to where we've been, but oh, what a waste, what a shameful waste before we get back there.

1150

I've got to believe, for a lot of the government's friends, that this is all about not even needing child care, because, "Just hire a nanny." So life is fine.

What we're talking about is the vast majority of working people out there. We know they need two incomes and we've got to provide decent, accessible, affordable child care. So I'd ask you to comment on that.

I'll raise one other issue because I probably won't have time to get the mike back. The other thing I want to talk about—and I put the emphasis on this because it's difficult for presenters to not look self-serving—is the whole issue of wages for early childhood educators. It's shameful. We had a presentation last week and the woman making the presentation said, "I'm at the top of

everything you can get. I'm in a non-profit, I've got the education skills, I've got the seniority," and she was making \$38,000 tops. Most of them entering the field after leaving their formal education are starting at minimum wage. In my point of view, either they are absolutely, totally dedicated to committing their lives to helping children or they're crazy to choose this course.

Yet the government has no problem with leaving the wages where they were. They want the value of all labour to be reduced because they know that if one area of wages goes up, it's going to affect others. But I think it's important we get the message out that if we want our children cared for in a professional fashion, we've got to pay professional wages. If you don't have a full, complete person in terms of the person who is providing the care, your child is not going to receive the support they need and the education they need. So I'd like you to comment and expand a little bit more on what's happening to the wages of early childhood educators.

It has just occurred to me that they were being compared to parking lot attendants in terms of their wages. What was the phrase? I think they are up one other category in terms of the real wages that are paid. The lack of decent wages and benefits that early childhood educators are receiving is shameful, given the level of education, the responsibility and their importance in our society.

Mr Dugal: Just on your comments, David, the issue today about why people are getting into the field and taking the wages they are taking is because there is no real work out there for people to be doing that does pay very good, decent wages. The average earning of an ECE today in the field is \$19,000 a year. They are taking those jobs because the only other jobs out there that the government keeps talking about are all of these McDonalds jobs and Burger King jobs and things of that nature. There aren't any serious jobs out there, where people who are looking to get into a field can look at it in a positive vein.

We bring the issue today to the committee to say to them in all honesty—and I understand that maybe some of the people in government today can afford a nanny, can afford those things that other people can't, but you are only a small minority. The majority of people today are looking for some type of help from the government so that they can feel comfortable with where their children are going.

A provider who is doing this type of work—raising a child—they're taking that risk on to make sure that child is also given that type of protection while they are in their care. For this kind of money, is that what they are worth, \$19,000?

In the CAW, we say no. In the CAW, we say people should be paid a decent wage for the work they're doing. We pay our workers a very decent wage, probably the highest anywhere in the province.

I say to all of you, you can all sit there and do what you want, but at the end of the day, if you invest in the future of young kids today, while they're growing up, as they grow into their older years you will have more edu-

cated people to create things that you're looking at to be created. You won't have them if you sit there and do nothing about the whole issue of early childhood education while the children are still young.

Mr Christopherson: Well said, Earl. Thanks.

Mrs Molinari: Child care and the development of our youth and children is a very important issue to all of us and I thank you for some of the comments you've made. And thank you, Mr Dugal, for your very emotional and passionate response to that question.

I have to differ with the comment you made, though. I think those who become child care workers, other than what you mentioned, that those are the only jobs available—I've spoken to a number of child care workers and they tell me they do it because they love the kids and because they feel they can really contribute and benefit. It's not so much the salary but because it's a job they love. I'm really happy to hear that, because I know it is a very stressful job, dealing with a number of children, all with different needs and different exceptionalities. I'm glad to hear that from the number of people I've spoken to.

I have a couple of questions more of a technical nature. To begin, you mentioned in your presentation that 40% of Ontario's licensed child care is located in schools. Can you tell me a little about the others? You talked about some of the unregulated ones. I guess those would also be with families, grandparents, aunts and uncles. Some of those are in the other 60%. Can you tell me what some of the other ones might be?

Ms Boyer: There are licensed child care programs, a very small percentage. About 7% of children are in those environments; that's all there's room for. The majority of children are in unlicensed home settings, either with a relative or a parent. Families often decide to off-shift to make their child care arrangements work; there's nothing available in their community so they work opposite shifts to one another. That is a very interesting statistic that they say may lend itself to the high divorce rate, that families are not spending time together. There's no child care to be found that either they've had a choice in or feel comfortable with; they have to off-shift from one another and family time together is dramatically reduced as a result.

Mrs Molinari: Thank you for that. I know times have changed from when I was growing up and was small, but I do remember my parents having shift work so there would always be one of them home for me and my sister, to be able to take care of us. We had our Sundays, which were a very special family time. They took a lot of responsibility and made a lot of sacrifices to do that. They felt the only ones who could appropriately look after us were the two of them, not anyone else. Times have changed drastically since then.

I want to tell you a little about a school in my community that has done a wonderful job. Where there was a school at risk of closure because of declining enrolment, the community came together and took a couple of the available classrooms in that school as a child care centre.

They've made the necessary modifications, and they've not only maintained that school feasible and open but they've also brought in another service which the community needed, and that was a child care centre in a couple of the classrooms. They've been able to use those resources, take something that would have been a negative to the community but made it into a positive and offered a service for the community. They're very excited about it and the community's very excited about it.

Ms Boyer: That does exist in almost every community in the province, but right now in Windsor alone there are six schools threatened with closure about which the school board just made a decision that they would keep open for another year and not amalgamate. But those very important child care programs that exist currently in those schools are also threatened with closure, with no place to relocate, should the school board decide they can't afford to not use the space in a better manner and to deal with the new funding formulas they have. That's why child care programs are very highly linked with vacant space in grade schools, but with the threat of those schools amalgamating and closing, child care programs don't have the space to exist any longer.

The Chair: We've run out of time. On behalf of the committee, thank you very much for your presentation this morning.

Before we break, a couple of short announcements: Lunch will be served in the Tree Room, buffet style. We have some reserved tables.

I'd like to have a couple of minutes of the subcommittee's time before lunch.

The committee recessed from 1200 to 1302.

ANNE DiCECCO

The Chair: Good afternoon. If I can get your attention, we'll bring the committee back to order so that we remain on time. It is shortly after 1 o'clock.

Our first presenter this afternoon is Anne DiCecco. On behalf of the committee, welcome. You have 15 minutes for your presentation this afternoon.

Ms Anne DiCecco: Thank you for allowing me the opportunity to come before you and humbly express my opinion regarding your upcoming budget considerations.

I am pleased the current leadership has resulted in the gradual elimination of an enormous inherited deficit budget. Even if the budget could be balanced tomorrow and budget deficits deemed illegal unless in the case of war or unforeseen natural disaster, we must resort to creative measures to continue to deliver a high standard of necessary service that will alleviate prevailing fears of average Ontarians, particularly in health care, and will continue to ensure that the Ontario engine that drives the nation will continue to prevail with adequate infrastructure, an independent, robust agricultural base, and hope via excellence in primary and secondary educational standards and the ability to contribute at a higher level with a post-secondary education that embraces both a pragmatic approach to economic reality and the ability

for all Ontarians to obtain higher levels of appreciation for social, historic, and artistic elements that complement the practical and enable us to appreciate how far we've come and how far we can yet travel, all the while retaining our freedoms derived from historically gained democracy and an appreciation of the fragility that is both mankind and the environment in which we prevail.

Under the excellent leadership of Mike Harris, to date 30% of provincial income tax has been cut and consideration has been made to cutting, as per election promise, an additional 20%. Unless one has a pea for a brain, it is not difficult to understand that we are so enormously taxed as to indeed undermine the prospect of increased productivity. However, it appears that the federal government should be placed on the hot seat now, especially to index the high-end tax bracket of \$62,000 to an inflationarily gauged level closer to between \$90,000 and \$100,000. A common factory worker should not be considered within the highest tax level, so ridiculously rated as high end as to discourage a spouse from obtaining any additional income for fear of losing tax credits or being ridiculously pivoted into a bracket that negates any real gain. Until the feds initiate this "real" tax initiative, one wonders as to the merit of any provincial initiative.

I understand that the mandate to reduce taxes an additional 20% was given a window of five years to be implemented. The current government should be commended for commencing this policy, whereas others have simply increased deficits, debts and taxes. This current provincial government has not just inherited monumental deficit and debt, but as well inherited a federally underfunded health care system, deteriorated both morally and structurally, and a crumbling infrastructure.

Any tax decrease, as opposed to an increase, is certainly appreciated, and yet one wonders, although in the face of a great economic boom, should the decrease be commenced now or should we get our house in order on all fronts, infrastructurally, health care-wise and educationally, before commencing a substantial tax strike-down? If we commence additional substantial tax cutting at this juncture, can we substantiate these cuts with a guarantee of controlled, continued excellent delivery of service?

I believe I speak for the majority of Ontarians when I thank you for putting our house in order and striving to put a lid on an extravagant, unnecessary spendthrift mentality. However, I implore caution and the restoration of order, even with a return to mid-1990s transfer payments, before commencing great additional tax reductions.

Health care: Even if all mid-1990s-level transfer payments were restored tomorrow, would that provide the panacea for health care? I humbly concede not. Please consider the recommendations of Shirley Douglas, daughter of Tommy Douglas, to appoint a non-partisan health care committee to get at the crux of the matter: patient-supplemented fees. Her comments that her father's vision of public medicare for all Canadians did not consider an absolutely gratuitous approach seem to

be echoed by every doctor with whom I converse that this is one worthy program that should be supported by user fees. That may be the only way to obtain the previous excellent level of service, especially in light of generational need and increased demand for costly diagnostic procedures and the pursuit, at all costs, of prolonged lifespan.

I imagine it would not be unfathomable that all patients with the ability to do so could, at a minimum, pay an individual family fee to their family practice to alleviate administrative costs and access a consultative nurse via phone. In lieu of this, we could perhaps install per visit fees, although this may provide an administrative burden, as opposed to a straight annual fee. There should be a base understanding of what services could be covered and considered reasonable within basic medicare provision. Services over and above this level, especially services that continue to have questionable success, could either be supplemented by medicare or subscribed to by private patient insurance. It is truly a mark of needed reform when cancer patients must traverse to the States to avoid prolonged waits to obtain life-saving radiation therapy.

The Windsor-Essex county area has been designated underserved. Municipal partnerships must be formed to entice doctors to this vibrant, booming area, even without a teaching facility. I commend Ms Witmer et al for increasing the international medical training program by 50%. This program specifically targets underserved areas, and hopefully Windsor-Essex county should find somewhat of an alleviation to their doctor shortage with this implementation.

This area has a shift-work, blue-collar base, with a majority of workers logging six days a week and many working seven. It does not seem unreasonable, then, that health care delivery should be available at a central hospital location 24 hours, seven days a week. Such a location could absorb unnecessary emergency usage, and its proximity to an emergency ward could work splendidly with effective emergency triage. I was horrified that sufficient personnel were not available throughout the holiday season to effectively attend to the flu outbreak. This is public medicare, and unless that changes, hospital administrations should be responsible for ensuring that area residents will never again be faced with this sort of nightmarish fiasco. We may be federally underfunded but I, for one, am not ready to concede Russian-style health care.

1310

The Blueprint outlined a plan to hire an additional 10,000 nurses. We may indeed not have sufficient doctors, but they at least are respectively honoured and apparently sufficiently paid. Nurses, on the other hand, especially those with low seniority and home care providers, seem to need satisfaction in three areas: nurse practitioner implementation, full-time hours and benefits. All three of these deficiencies are most apparent in areas, like Windsor, bordering the States, where it is all too easy to find work that pays better. Most nurses I talk with

would gladly remain and serve in their own country, yet there is currently very little incentive. They are over-worked, demoralized and just plain cranky. It's time they received their commendation for the lifeline they provide within health care.

Please, please, please, of course we need additional long-term-care beds to alleviate misused acute care beds, but home care and hospital care can only receive stamps of excellence when this facet of health care delivery is satisfied. I understand that a national home care program has been suggested. That just may be swell, since hospitals and beds across the county have been closed and the burden of home care provision has been handed to the provinces, along with slashed transfer payments to support growing demand. It's a lovely idea, yet it resonates with me, at this point, as similar to red book promises to eliminate the GST and provide a national daycare program. I'm glad the federal government has finally balanced their budget, unfortunately at a cost to the provinces. They should concentrate on reducing the debt and taxes. The provinces may be in a position to better determine the needs of home care for their residents.

There has been much bad press regarding walk-in clinics as being taboo. I consider "walk-in" to simply refer to a form of service as opposed to making an appointment around your work schedule and finding that you cannot access a doctor, preferably your family doctor, for a week. There are very successful walk-in clinics that accommodate patients around their schedule and do not just have waiting rooms and appointments booked around the elderly, who are a more certain guarantee of consistent income. Perhaps all records will be computerized and accessible by all doctors, hopefully privacy-protected, so that walk-in delivery could be the norm and duplication and medical combinations could be effectively monitored. Is there a private or government online or phone service that could pacify patients with information/alternative treatments and centres of excellence, or could a phone service be monitored by a medical specialist to avoid current six-hour emergency waits?

Windsor-Essex county seems to be particularly deficient in the area of psychiatric practitioners. Are we now graduating sufficient staff, or are they just not inclined to venture into this area? The PACT program for psychiatric patients appears to be a godsend for patients and families of the mentally ill. Its only drawback seems to be its inability to be aligned with patients receiving pensions, noting their inability to regularly garner a consistent income. This program alleviates some need for institutionalization, and for those who recognize the benefit of the PACT commitment it provides a lifeline to ensure proper medicinal intake, counselling, access to available support organizations, and general survey of hygiene and psyche.

I am not a psychiatric expert, yet it is easy to conclude that the majority of homeless may indeed be the psychiatrically impaired, ostracized by family and society who are unable to assist them because that may oppose their freedoms and rights. It just seems very odd that the

psychiatrically maligned are expected to make rational decisions when they may be psychotic and that intercession of even loved ones is not heeded to ensure the civil libertarian protection of an individual with a history of psychiatric illness. Can the PACT program work cooperatively with psychiatric pension recipients, or is this contrary to the Charter of Rights and Freedoms?

Education: My children attend the French Catholic separate school board and have had the benefit of receiving what I believe to be the best early childhood JK/SK program going. The programs have all been full day, and they certainly support the precepts of the Fraser Mustard report and the Royal Commission on Education, both highlighting the importance of strong early childhood education to encourage optimal educational excellence and early intervention to alleviate social deviance often associated with childhood learning problems, commonly previously determined too late in life when frustration, lack of confidence and peer/teacher judgment have already set in.

The French board appears to be fiscally prudent and has been able to continue delivering these optimal early childhood education programs with excellent grade 3 and grade 6 test scores in reading, writing and math to substantiate the claims of Dr Mustard as to the importance of these programs.

SK is available throughout most school boards at only half-day, and JK programs are not nationally available and/or viable within all provinces. The federal government continues to tout a national children's agenda, which may include long-fought-for child tax credit increases, which I and every other parent surely welcome. Young people starting families, paying off student loans, mortgages and car payments and being faced with less disposable income now than in the 1980s, need help now. The States at least offers the economic tax boon incentive that allows the full write-off of mortgage interest payments. Tell me that's not an incentive for a brain drain that supposedly doesn't exist. I would hope that the federal government would inflationarily index the top bracket from \$62,000 to a more reasonable \$90,000 to \$100,000. In the interim, young families continue to struggle. To obtain any reasonable standard of living requires one and a half to two full-time incomes and there's very little left over for any rainy days or oft-needed unobtainable family and children's counselling.

Because I have very little hope that the federal government is sincerely interested in alleviating the middle-income tax burden and because every study backs the benefits of early childhood education, I am asking for Ontario provincial intervention to encourage the federal government to supplement SK to full-day funding. This would not only be supported by the likes of early childhood advocates such as Fraser Mustard, but probably by every parent who must work to live in this country.

There are many who advocate a national daycare program. Health care, infrastructure and farmers should be first in line. If the tax system was fairer for the middle level, which really is the \$62,000 earner, perhaps parents

might be inclined to remain at home for the preschool period. As this high-end tax bracket seems unlikely to change any time soon, I implore you to work with the federal government to initiate this improvement to early childhood education.

The royal commission on education, along with the Mustard report, supports that JK and SK be implemented and delivered via early childhood educators. I understand that a pilot project in this regard has been ongoing in the Ottawa area. Is it successful? Have the glitches been ironed out? By substituting ECE providers for teaching staff, yet following a common curriculum, could we possibly deliver a program of this calibre on a full-time basis throughout all of Ontario? Could SK be delivered with certified teachers in the morning and ECE providers in the afternoon? Of course, if there was no monetary restriction, I would certainly support the more optimal program delivered entirely by certified teaching staff. Yet, with studies identifying a very real prospect for teacher shortage, is this the right time to implement a different approach that could benefit all Ontarians, not just those attending French-language schools?

Could the Ontario government work in conjunction with municipalities to identify sufficient latchkey programs in key areas that support bus routes? This is another crucial program that supports working parents, alleviates some of their stress and, from my understanding, is operated independently of schools by private providers in co-operation with school boards. Probably Ontario's consistently poor reading test results could most assuredly be attributed to the lack of time overworked, too-tired parents do not have to give to their children. This may sound like a lame excuse until you're in this boat. Latchkey programs, properly supervised, could possibly accommodate a program that pairs grade 7 and 8 readers with program subscribers. These older students could obtain a modest allowance and everyone could benefit. It may sound crazy, but it works. My children were benefactors of a similar program.

If you are not agreeable to any of the previous suggestions, could you at the least consider decreasing student-teacher ratios from JK to grade 3 from the current 1:25 to a more early childhood compatible 1:20 ratio as an indication that you truly consider the merits of smaller class size crucial in the first eight years of life to obtain an optimal learning head start?

The Chair: Excuse me, you have one minute. I'll give you another minute to wrap it up.

Ms DiCecco: OK, fine.

As for teacher testing, I agree with the recent report from the College of Teachers encouraging optimal initiation testing only. With principals removed from unions and acting more in the position of managers having responsibility to oversee curriculum implementation and mediate between parents and teachers, we ought to give this its due. In cases where there is concern of teacher inadequacy and impropriety, we should return to the approach of my school days when superintendents were visibly conspicuous during random visits throughout

schools. There should be no prior warning of these random visits. I believe that was the best way to instill excellence. When parents have concerns that they feel are dealt with effectively by neither teachers, principals or superintendents, they should themselves be able to access review by the College of Teachers.

Overall, I believe the majority of teachers are committed to excellence. They are very professional. They seem committed to the implementation of an enhanced curriculum, and it is time to honour their efforts, to publicly commend those excellent individuals who make it their life's work to mould children into responsible learned members of society with a penchant to satisfy curiosity and compel advancement of knowledge from all facets of life.

1320

I believe the changes to education were necessary. I believe there was questionable accountability, not just from teachers but from parents themselves, who tended to prefer a lack of involvement and the notion that only schools contribute to the learning process. It is now time to support teachers with teacher development programs that make a difference, and with support from our government leaders. If teacher testing, costing millions of dollars, has failed or produced a questionable outcome in other areas, let's keep the testing to initiation levels and let's give our teachers tools and public support to get the job done.

At the post-secondary level, it is time for a novel approach. I have very little sympathy for lifelong students who chose curriculum irrelevant to realistic employment opportunities. I would like consideration be made of five-year studies of employment deficiencies and I would like students entering into these areas to be considered for subsidies or grants, with the understanding that they remain in the country for a minimum of 10 years. I'm sure this is probably contrary to the Charter of Rights and Freedoms, yet it seems rather obvious that, while our great minds are being educated in tax-subsidized institutions, they have no obligation and very little tax incentive or optimal opportunity to remain in Canada. Therefore, we continue to supply especially the United States with the export of our best and brightest Canadians. Not a great way to ensure the growth of a country, and very little accountability to taxpayers who subsidize this great Canadian export.

As a simple, humble mother of five, neither a doctor nor a teacher, just an ardent observer of life, is maybe even the whole university deliverance of academia in need of an overhaul? If someone wants to become a mechanical engineer and a product designer or a civil engineer and an architect or an artist-teacher-graphic artist-animator, just as examples, do they have to become lifelong students at great cost, or could there be a little more willingness to carve out a personalized curriculum that opens more doors with less time and less cost than the current stale approach that begs an overhaul? How many courses can now be offered over the Internet or closed-circuit television? If we could just open up our

minds to change, we could invite the lifelong pursuit of education to all Canadians.

The Chair: With that, I'll have to bring your presentation to an end. On behalf of the committee, thank you very much for your presentation this afternoon.

PETER NEILSON

The Chair: Our next presenter is Peter Neilson. On behalf of the committee, welcome. You have 15 minutes for your presentation.

Dr Peter Neilson: Members of the committee, I thank you for the opportunity to present my views.

First, I would like to congratulate the government for the job it has done in helping to turn around Ontario's economy. Some challenges remain, of course, and it is the choice of opportunities presented by our thriving economy that I wish to address.

While critics have condemned your tax cuts, I would hope that the economy you have encouraged would allow you to explore cutting various taxes even further. At the same time, I would like to see you explore imaginative solutions to some of the problems which we all agree still exist. For instance, we continue to face discontent from some of our professionals who face specific challenges in their professional lives and unfavourable federal tax rates and policies when compared to our American neighbours. The result has been the so-called brain drain.

While we wait with frustration for the federal government to lower taxes, in the meantime we can certainly create a more favourable economic climate for professionals to not only remain in Ontario but actually move here. Therefore, I am offering the following suggestions for your consideration.

(1) Incorporation: Consider moving quickly to allow incorporation of professionals in Ontario in order to (a) help prevent the brain drain from Ontario, and to protect our education investment in these bright individuals; (b) help to attract physicians to Ontario to help offset the effects of the cap on their billings; (c) level the playing field with our largest trading partner to the south as well as with provinces which currently already allow incorporation; (d) attract entrepreneurs to Ontario from elsewhere.

(2) Transportation investment: As a resident of the greater Windsor area adjacent to the Ambassador Bridge, I fully support your announcement to invest the first part of the SuperBuild Growth Fund in transportation infrastructure. As an extremely important part of this transportation investment, I would hope to see a new bridge built to the United States from Windsor, preferably sooner than later. My fear is that the focus will be on the bridge itself, rather than what could be possible for the greater Windsor area with some imagination directed towards creating a true transportation hub with the new bridge at one end, the 401 at the other, and Windsor airport and CP Rail in the middle.

As such, I see the new bridge at the western end of the already existing E.C. Row Expressway right on to I-75 in

Michigan. They are already virtually within sight of each other, as you can see on the map I've included. It's even more apparent when driving westward at the western end of the E.C. Row. E.C. Row would then connect to 401 across the eastern end of Windsor airport, via Lauzon Parkway and the 10th concession, both for ease of land connections and for the connection of air transport at Windsor airport as well as rail transport via CP Rail to the NAFTA superhighway. Local international traffic would continue to use the existing bridge and tunnel connections.

This plan not only avoids but alleviates the dangerous and rapidly growing gridlock on Huron Church Road, it avoids adding to the exhaust pollution in west-end Windsor, which already has some of the worst air in Ontario, and it greatly improves and enhances the traffic flow of the entire greater Windsor area, making it a much more livable city for coming decades. It would also cut a significant amount of time off the typical cross-border trip for trucks by avoiding all of the local streets and traffic lights on both sides of the border.

The land to expand to three or four lanes in each direction already exists on the E.C. Row. The western end of E.C. Row is a sparsely built, heavy industrial area, meaning little disruption to residents and current arteries. At the eastern end, a logical connection to the 401 exists along the eastern end of Windsor airport and along existing county roads, with little need for large expropriations of land.

The E.C. Row would also become the major east-west artery off which north-south connections could be expanded and improved to help ease smooth exit and entry to the downtown and to our major automotive and feeder plants. With the automotive plants increasingly using air transport for just-in-time delivery, the integration of Windsor airport into the overall I-75-E.C. Row-Highway 401 corridor would seem to be a natural.

CP Rail tracks are already situated close by for rail transport. As a final step to this plan, consideration should be given to moving the Via Rail passenger station from its current congested and isolated site near Hiram Walker on the river to the resulting central NAFTA corridor adjacent to the airport for the creation of a true central commercial and transportation hub for the greater Windsor and Essex county area.

I believe that focusing solely on a new bridge, especially one located adjacent to the current Ambassador Bridge, without considering the possibilities of a fully integrated transportation strategy, is short-sighted. The true potential is best viewed from a bird's-eye view of the entire city and county and not simply from the very narrow view of the current bridge. We need to focus on the future rather than on the past.

(3) Health care, high tech and genetics: Regarding health care, I would like to focus briefly on an aspect that may not yet be readily apparent but which is about to become paramount. This one example highlights the growing weakness in our current system.

The human genome project will be completed within the next nine to 18 months. I'm not sure that anyone recognizes the huge impact this is about to have on our medical treatment capabilities and thus on our approach to health care.

As high-tech genetic treatments for diseases and conditions which were never before treatable become rapidly available, every citizen will rightly expect and demand access. I am certain that our current health care model is not prepared to handle the pace of change that is about to occur as a result.

While we struggle to add several MRI machines to our provincial system every year, please consider the fact that the database on the human genome's Web site is now updated every 12 hours. This flood of knowledge, which will offer answers to a whole host of human medical problems, will be useless if it cannot be put to practical use.

The current model of universal health care was developed in the 1960s and was appropriate for that much simpler time. That time has passed us by and is gone. I suggest that rather than fiddling with details we begin to cut our apron strings to that aging model. We need to redesign the system to meet the emerging needs of the next 40 years rather than the past 40.

It is my opinion that the current publicly funded model alone will not be able to handle this change, and thus needs to be re-examined. The known factor of a rapidly aging population will test the system to its limits. The addition of a less familiar high-tech revolution and knowledge explosion will make it unworkable. The myopic view of our current federal government towards a 40-year-old health care model is perhaps the single biggest impediment that we face. In my opinion, new partnerships with private enterprise must be explored if we are to best serve our citizens.

(4) Mandatory achievement in education: I think we all know that the biggest single determinant of poverty and lack of employability is a lack of education and training. The days of being able to make a decent and dependable living on a strong back and a grade 10 education are pretty much history.

It makes no sense to me to spend large amounts on re-training programs and welfare schemes at the far end while we still allow students to quit the education system at age 16 at the near end. I believe that 16 was chosen when families needed their children to help out on the farm and little formal education was required to prosper. Those times are history.

It is my opinion that the time has come to re-evaluate the determinant of when a student can leave the education system. I suggest that achievement rather than age be the sole determinant. Such a scheme would be enforced by making successful completion of an approved course of study the criterion for having access to the full range of social assistance programs in Ontario. If we are to demand that welfare recipients work for their benefits in workfare schemes, then does it not make sense to demand that everyone achieve the appropriate skills they

need to avoid welfare in the first place? With rights come responsibilities. Rules made early in the last century need to be revisited. They are not serving us very well in the new economy.

(5) Sales tax cuts: Once the promised income tax cuts of the PC Blueprint have been achieved, I would like to see cuts come from the provincial sales tax, 1% at a time.

We are told that our standard of living has lagged behind that of our American neighbours. Part of that is high income taxes, but another part is higher costs for daily goods. The playing field can be levelled by cutting the taxes that every Ontarian pays for almost everything they purchase. Alberta has done very nicely with no sales taxes at all as a result of their oil-based heritage fund. With our booming economy we will see our surplus grow and may soon be in a position to offer our consumers a break. If so, we should.

(6) Mortgage interest deductibility: This is another benefit we lack that our American competitors can offer to our best and brightest when enticing them to move south along with their fine Ontario educations. While we have the advantage of tax-free capital gains realized on the sale of a family home, the assistance of getting into the housing market with before-tax dollars is not available to young Ontarians, as it is when they make their move across the border to the US. We need to compete.

(7) Computer and Internet investment: Ford Motor Co and Delta Airlines recently announced free computers and cheap Internet access for all of their employees. Ford Motor Co were innovators decades ago when they were the first to pay their employees enough to be able to afford to buy their products.

Business has moved on-line like never before. As a result, those in the workforce who are not connected today are becoming seriously disadvantaged. Job opportunities, networking with co-workers, job improvement information, cheap and quick communication between employers and employees, continuing education, resumé distribution, and access to vital information are all available online.

Ford Motor Co and Delta Airlines aren't stupid. They are in business to make money. I suggest that your government have a serious look at the investment return of welfare recipients having available at-home Internet access to see whether there is an obvious payback. If so, then it would make sense to investigate a plan to get those on assistance who are trying to find work connected to the Internet.

Innovative approaches could be investigated, including partnerships with private industry where there might be a mutual advantage to all concerned. Incentives to master this technology could be built into such a program, such as loaning the computer to the welfare recipient on condition that studies are pursued in the basics of spreadsheets, word processing, database and Internet usage. Successful attainment of permanent employment would result in the computer being turned over permanently. Economies of scale along with private partnerships might make this plan surprisingly affordable.

As part of this same initiative, moving our school classrooms truly on-line should be pursued. Several computers in the computer room with a 10-year-old showing the teacher how to use them is simply not acceptable in the on-line world of 2000. Those students without the at-home on-line presence of many of their classmates are being relegated to second-class status without this access.

In summary, I support the general direction that you have laid out in your budgets in the past four years and, given the results, I fully expect that you will stay the course. However, imagination, attention to detail, careful management and steadfast focus on excellence can always make a good thing even better. That's my hope.

The Chair: Thank you very much for your presentation, on behalf of the committee. We've run out of time today for a question.

We've just been notified that our next group, the Elementary Teachers' Federation of Ontario, is going to be somewhat late, about 15 minutes, because of road conditions. The 2 o'clock group has cancelled because—

Mr Johnson: Do they get a detention?

The Chair: No, I'm not going to comment on that.

However, if we wait for a couple of minutes, the Alliance of Canadian Second Stage Housing are currently in the building and they might be able to make their presentation. We'll take the teachers' federation after this group. We'll just take a couple of minutes' pause here for coffee or water.

The committee recessed from 1335 to 1338.

ELEMENTARY TEACHERS' FEDERATION OF ONTARIO, THAMES VALLEY LOCAL

The Chair: The next presentation is from the Elementary Teachers' Federation of Ontario, Thames Valley local. On behalf of the committee, welcome. You have 30 minutes for your presentation, starting now.

Ms Marion Holgate: We're John Stevens, president, and Marion Holgate, vice-president, of the Elementary Teachers' Federation of Ontario, Thames Valley local. Our local consists of approximately 3,200 elementary teachers who are employed by the Thames Valley District Board of Education. Our parent organization, the Elementary Teachers' Federation of Ontario, which we will refer to as ETFO, represents 70,000 teachers and education workers in the public elementary schools of this province. The Thames Valley Local is the third-largest of ETFO.

Our employer, the Thames Valley District School Board, was created by the amalgamation of the four predecessor boards: the Elgin county, the city of London, the county of Middlesex and the county of Oxford. We affectionately referred to that as ELMO in the former days. Our local's members teach 58,000 students from junior kindergarten to grade 8, in regular classrooms, in special education programs, in ESL programs and in

section 19 school settings in our employer's 160-plus elementary schools.

We propose to describe to you in statistics and in human terms the detrimental effects the funding cuts and restructuring have had on the elementary students of the Thames Valley District School Board. It is indeed our view that the current education funding model and the cuts it has administered to public education in Ontario have impacted negatively on the quality of public education, on the morale of the hard-working professionals who dedicate their working lives to the education of elementary students in our public schools and, most significantly, on the future of this province's greatest resource, our children.

Due to time restraints, we will focus our presentation on the effects the funding structure has had on our youngest learners.

Mr John Stevens: First I'd like to concentrate on a survey of our membership done by the firm ComQUEST, which was hired by the provincial organization. We received a 49% return rate. This report confirms the following about public elementary schools in Ontario, and all of the findings apply to the Thames Valley District School Board in varying degrees.

The in-school student-teacher ratio has increased from 18.6 to 19.0, a 2% increase in one year. Teachers' jobs have been cut while enrolments have increased.

Some 22% of schools report the loss of teacher-librarians; 12% report the loss of music teachers; 9% report the loss of special education teachers. This loss of specialist teachers has a direct impact on education programs. Forty-seven per cent of schools report a reduction in their library program since the new funding model was implemented; 22% report the loss of music, design and technology, and ESL programs.

In half the schools, field trips have been reduced. Two thirds report less money for field trips, often resulting in parents having to pick up the slack.

While the average class size of boards may be 25 across the province, the data show that the average for grades 3 to 8 is higher than this, reaching an average of 28 in grade 8.

On average, schools report seven classes per school with more than one student with special needs. That is almost half the total number of classes. More than one in four classes are combined grades, and that has a significant impact when you're talking about implementing the new curriculum. Support for students with special needs has declined. While there are more teaching assistants for such students than two years ago, there are fewer special education teachers and less withdrawal time available.

Over 40% of schools report that there are rooms in the school that are now being used for classrooms that two years ago had other functions: 21% indicate the loss of resource withdrawal rooms—that's where you can take special ed students and deal with them in smaller groups; 11% have lost music rooms; 10% have lost computer rooms; 9% have lost library rooms; and 6% have lost daycare spaces.

The ETFO school-based research survey captures only the period since the implementation of the new funding formula. Its results must be placed in the broader context of program cuts at the elementary level throughout the 1990s. The survey does provide solid evidence demonstrating the impact of the funding. We will include a detailed copy of the results of this survey with our submission.

Ms Holgate: The following information continues to reflect the impact of the current funding model in provincial terms.

Despite unequivocal research to support the educational importance and long-term economic value of educating the very young, this government failed to recognize or deliberately ignored the evidence. It has continued to support the historical imbalance in funding between elementary and secondary students. There is a \$600 per pupil funding gap between the two panels. Despite the volumes of supporting educational research, this government failed to seize the opportunity to correct this illogical inequity and chose to take away incentive funding for small primary classes.

It cut funding to students at risk by driving more special education students into full or partial integration. It reduced the number of teachers in the system by setting the arbitrary elementary class size average at 25. It eliminated funding for valuable programs such as early years, FSL and full-day kindergarten. By introducing the early learning grant, the government forced school boards to choose between providing junior kindergarten programs or enhancing programming for kindergarten to grade 3. In predecessor boards which have offered their communities junior kindergarten for years, as two of the four Thames Valley District School Board predecessor boards did, this is not a fair or educationally sound set of choices.

Therefore, it is the recommendation of our local that the funding for elementary be at least equal to the funding currently provided for secondary.

Mr Stevens: This next area is one of the places where we think the funding model seriously has an impact on our students. It is class size. In the Thames Valley District School Board's elementary schools, the detrimental impact of the average class size of 25 is no more evident than in the younger grades. The following charts demonstrate how the application of this arbitrary and educationally unsound number, 25, penalizes the Thames Valley early learners the most.

The first chart outlines the number of students in each elementary division for the Thames Valley District School Board. You can see the large numbers moving through the early years. Division 1 is the kindergarten, JK; division 2 is the primary grades 1, 2 and 3; division 3 would be junior; and division 4 is grades 7 and 8.

The second chart demonstrates how well the board has adhered to the provincial class size average for elementary schools. It's a perfect bell curve. What that means is, while this is student-focused funding, it shows that the further to the right of the centre of this graph, the less the

focus is on you. For the younger students, the size of the grades that you see in front of you, for every one of those smaller classes of 15, for example, there has to be a class of 30 somewhere else to balance it. While this may be a fiscally manageable number and save expenses, what it really does is, some people get focus funding and some people don't.

The following four charts demonstrate the distribution of students in each of the four divisions. You can see that up at the top. In our collective agreement, what we tried to do was recognize that the younger the child, the more important it was that they were in a smaller grade. To that end, we put in the number 20 for the early years—that's JK-SK. We negotiated the number 22 for the primary grades. Then we negotiated 26 and 28 for junior and intermediate. However, because of the arbitrary number of 25, it's very difficult to get that language in place. In fact, the pattern gradually decreases. If you notice, because of the size of the classes in the earlier years, the pattern gradually decreases as the age of the student increases, resulting in the fewest classes above the class size average in the transition years.

The trend observed in the charts for the Thames Valley District School Board continues to be one of added dollars for the top part of the educational pyramid and less for the foundation. We view the early years as being the foundation of the education system all the way through to the OAC. The first educational experience of a child should be one worth coming back for.

A further compromise to the education and safety of our youngest students in Thames Valley schools is the change in the funding formula which generates dollars for education assistants. Prior to the creation of the new special education funding which "Velcroes"—that's a ministry word, not ours—EAs to individual high-needs students who have met the stringent ISA funding criteria, large early-year classes in the Thames Valley predecessor boards used to be granted EA support in addition to the teacher. This no longer occurs. Consequently, the safety of students in these large classes is placed in jeopardy.

The Premier has recently gone on record as saying that his government will do everything in its power to ensure the safety of Ontario's public schools. But if you consider the following information presented by our local early years committee, you would think otherwise.

Nobody in this room would ever take five or six or 10 three-, four- and five-year old children on their own. But regularly and daily in Thames Valley we have upwards of 31 children with one teacher, and they range in age from three to five years old. Not one of us in here would ever do that. We couldn't suffer the risk, the danger involved with having that many young children. They're all on their own page; they've all got their own agenda. Regularly, we expect that to happen in elementary schools. In Thames Valley we regularly have teachers who have 25, 26, 30 children.

1350

"Supervision of 20-plus students aged three to five is difficult under the best of circumstances. Major safety

concerns come into play when a teacher is expected to supervise children in parts of the room which have physical barriers (cloakrooms and washrooms).

Travelling from point A to point B within a school or on school property can also be a safety issue when one adult is responsible for 20-plus very small children. Some early years students do not even have the convenience of a washroom or a water fountain in their classroom, thus creating an even greater potential for accidents. Many of the classrooms with washrooms have only one washroom. This creates a problem because very young students are prone to the 'domino effect.' If you've ever been around them, you would understand that. "The very structure, design and size of classrooms create a safety problem for most early years students. Classrooms were simply not designed to hold that many very small children."

If you wanted to go back to the good old days—I'll speak from experience—my wife teaches in a kindergarten that was built probably about 1935, 1940. It is probably one of the nicest rooms in the former London board. It's got windows; it's got space; it's got two washrooms; it's got everything you would ever expect in a kindergarten. You don't see any of those kinds of kindergartens being built any more. In fact, most of the ones we've got now are converted classrooms which were designed for 25 students and desks in rows.

"Behavioural problems in a classroom with this many young children and only one adult can also be a major problem should a serious problem arise. Many small schools also have no support available to them during crisis situations due to a lack of support personnel, people (eg vice-principal)." We used to be able to come down if there was an emergency situation in the school.

The irony of Mr Harris's comment is that he and his government do have the power to ensure a much greater degree of safety in Ontario classrooms, but the funding model, as demonstrated in the elementary average class size of 25, creates a safety hazard.

Perhaps the most widely quoted research regarding the long-term economic, social and educational value of the early years education is the Perry Preschool Project in the United States. This study clearly shows that the long-term benefits of early childhood education far outweigh its cost. Indeed, for every \$1 spent on early education for four- and five-year olds, the benefits gained by the whole of society are over \$7.

I think maybe this is one of the problems we have: Governments come and governments go. Having the focus on the short-term future of the term of office of a government—these kids are in kindergarten right now—the people who put them in these situations probably won't be around to face the consequences of their decision 10 or 12 years from now. The payoff is down the road, but we tend to look for this year's budget, next year's budget—maybe; that's long-range—but beyond two or three years we forget about it. You're setting a pattern right now, and the investment in this isn't going to show up until 10 years from now.

Keep in mind the proportion of Thames Valley District School Board's JK-SK teachers who have the large class sizes, over 20. The information that follows is from those teachers.

"No time exists for one-on-one work between the teacher and the child. Time becomes very limited when teachers are expected to single-handedly assist 20-plus students to prepare for recess. Fifteen to 20 minutes of precious teaching time can be easily spent assisting large numbers of youngsters as they dress for outdoors. Discipline supersedes program because teachers are too busy managing activities with large numbers of very young students. Limited or crowded space does not allow for the type of activities which students of this age need to experience. The type and number of hands-on academic activities which one adult can complete with a group of 16 JK and/or SKs is much greater than those one can accomplish with a group of 26. Program quality is suffering due to sheer numbers. Time to properly evaluate the academic achievements of students is severely compromised due to the lack of one-on-one time required to complete the necessary assessments of such young learners."

You cannot have a standardized test. They don't sit in their seats and they don't do pencil-and-paper exercises that can be marked at home. You have to interact with the child.

These points are taken from Thames Valley early years teachers themselves, not from the bureaucrats or policy-makers at the Mowat Block. Yet the pain does not end simply with the class size issue. Compounding the challenges to the learning environment of elementary students is the issue of split classes. As evidenced in the following chart, by far the largest number of split classes occur at the JK-SK level. Ask elementary teachers about the added strain on the health of the learning environment when teachers are asked to implement new curriculum, with very limited support, to two different grades. Early years classes are no exception to this. The children in their first year of socialization in the public school system are very different than children in their second year of schooling. There are significant differences between a three-year-old entering a program, or one who has just turned four, and the five-year-old. The JK-SK split may serve as a quick fix for enrolment gaps in elementary schools, especially in small schools, but it is not the solution for maximizing the learning environment.

The EFTO Thames Valley local recommends that funding be provided to reduce class sizes in kindergarten to grade 3 to no more than 20 students, that funding for full-day senior kindergarten be restored, and that real caps be placed on elementary class sizes. Class sizes for grades 4 to 8 should be no more than 22 students.

I guess we always come back to the old question that we've had in the elementary panel for a long time: How come a 16-year-old is worth more than a six-year-old? What's the big difference between the kid in grade 8, who is being allocated staff at 1 to 25, and what happens the next year, when they get it at 1 to 22?

Ms Holgate: In regard to preparation time, the funding formula further undervalues elementary students by undervaluing their teachers. The formula does not even meet the standards set out in Bill 160. Consequently, elementary teachers are left to implement nine new curricula in larger classes, with reduced administration school support, reduced special education support, and more integration of special education students. They are expected to implement new report cards, meet higher demands for documentation, and meet with parents and outside agencies. The expectation is that elementary teachers do all of this with a level of support significantly below that given to our secondary colleagues. Therefore, it is our recommendation that preparation time for elementary teachers be funded at a rate no lower than the 200-minutes standard set out in Bill 160.

Meeting these recommendations would go a long way to restoring the quality of elementary education, which we believe has been eroded since the inception of the current funding model.

The following chart demonstrates how much the application of a class size average of 22 would increase the complement of Thames Valley elementary classrooms and teachers required for our district school board's 58,000 elementary students. If you follow along, you can see that the application of 22 varies so that at the bottom right-hand corner, working through that formula, it would increase the full-time-equivalent teachers in the elementary panel to 287.5 more elementary teachers if you use the application of 22 in the elementary panel.

Our recommendation is that as a minimum, any funds generated for elementary education be used exclusively for elementary education and that both the ministry and school boards be required to report revenues, allocations and expenditures by panel.

Mr Stevens: I'd just like to add to that. We spend an awful lot of time and energy in our negotiations trying to make sure that the money that is sent for elementary is indeed spent totally on elementary schools. The same situation, I imagine, would exist in secondary.

If we are going to the one-size-fits-all formula that comes out of Toronto, why is it that we would have to go to a board and try to discover where the money is and what it's being used for? It should be openly transparent to the whole world: "Here's how much money we're spending on elementary education. Here's how much money we've got; here's how much money we've spent."

Special education and ESL are two areas where, if you put these into the mix of the classes, you can get an idea of how difficult the challenge for elementary teachers is.

The ETFO Thames Valley local will add its voice to the call for greater funding for special education. The third interim report of the EIC confirmed what educators and parents have been telling the government for years: Programs for students with special needs are dangerously underfunded. This formula cheats the most needy students of the supports they deserve. We reiterate that the earlier the identification and support for learning difficulties occurs, the greater the opportunity to help more

challenged students develop compensatory strategies for learning.

The Thames Valley District School Board is no exception. It spent \$6 million in excess of the allocated \$46 million received for special education funding to address the needs of its 12,000 special-needs students. Since special education funding was frozen in June 1998, there has been an increase in the number of special education students in the Thames Valley District School Board. They didn't stop coming because the money stopped appearing.

1400

This board sought funds from building maintenance and computer hardware to shore up the underfunded special education line. However, in taking special education dollars to support these programs, the Thames Valley District School Board reduced the complement of learning support teachers or resource teachers for regular classrooms.

As indicated earlier in the discussion of the early years, class size and the assignment of EAs, the current funding model is far too restrictive and does not give schools the flexibility they need in the most effective assignment of EAs to particular students or classes. Criteria for the highest-needs students, for example, demand an EA for at least 50% of the school day. Students who need a lesser degree of support are out of luck. And as stated earlier, EAs are no longer assigned to excessively large early-years classes in order to deal with the educational and safety issues these classes create.

Further exacerbating the problem of erosion of learning supports for high-needs students is the issue of ESL funding. More and more of the Thames Valley ESL students come from refugee families. These children seldom have the literacy skills in their first language equivalent to immigrant children. This places them in a higher needs category than those already literate in one language. The social and emotional trauma experienced by many refugee children also places their learning at risk. Now take these issues into account with the widely accepted view of expert ESL educators that the current policy of funding ESL students for three years does not go far enough. It may be sufficient for addressing students' conversational language competence, but ESL educators would argue that in order to assure new Canadian children's achievement of adequate writing skills, five years of ESL funding support is necessary.

A government which continues to fail to fund the needs of ESL learners is a government that will condemn these children. In the end, this ill-informed or mean-spirited view of educating Ontario's most needy will cost all of society more in human and financial resources later on. This situation is reminiscent of the intransigent stance this government has taken toward blaming the poor for Ontario's economic deficiencies. Therefore, the ETFO Thames Valley local adds its voice to those, including the neutral EIC, to recommend that the government increase grants for special education, learning opportunities and English as a second language.

Ms Holgate: We'd like to talk to you about an area that may not necessarily receive a great deal of attention but that is, I assure you, of a great deal of concern not just for teacher-librarians, but for the teachers who have been depending on their support in supporting educational programs.

The allocation of teacher-librarians in the Thames Valley District School Board is that of the funding model: one teacher-librarian for every 625 full-time-equivalent students. Of note in this issue is the fact that only three of the four predecessor boards which created this large amalgamated board employed teacher-librarians. The former Elgin county board did not. Therefore, overall statistics will show that there has been a slight increase in the total number of teacher-librarians employed, given the necessity of implementing equitable library programming throughout the Thames Valley District School Board. That's not the whole picture. What the numbers don't demonstrate is that there is a reduced level of teacher-librarian time allocated in the elementary schools of the three other predecessor boards.

There are some points about the erosion of the library program in the Thames Valley elementary schools as reported by the co-chair of the Thames Valley Teacher-Librarian Association. She points out that there is definitely an erosion in the library program and that there are inequities across the valley. That continues to be their major concern.

The situation may look good on paper, but the real inequities show up when we examine the figures indicating how much of the teacher-librarian's allocated time is diverted elsewhere in the schools. For example, some teacher-librarians are spending more than 75% of their allocated time delivering preparation time, while some teacher-librarians deliver none. Some of this prep has nothing to do with library use or library-related skills.

Schools with equal student enrolments and equal teacher-librarian time allocations have very different timetables with respect to flexible scheduling and prep coverage. Some teacher-librarians' schedules are so chopped up that no meaningful teaching can go on because there are no blocks of real time. Twenty minutes is not enough to deliver a program. Some principals, due to the reduction of the allocation of administration, are assuming the role of teacher-librarian, which is very difficult to do when the administration calls on the principal's time so often or they are called out of the building so often. No school should have less than a half-time teacher-librarian. No teacher-librarian working less than half time in a library can keep up with the vast amount of administrative work and deliver a quality program.

Having the funding for time allocations based on the number of FTE students is not fair for the teacher-librarian. Junior and senior kindergarten students may be in the school only half-time, but the teacher-librarian in most schools will want to see each kindergarten class as often as possible. The JK-SK classes take twice as many time slots in a teacher-librarian's schedule to get the same program delivered to the two half-time classes. The

teacher-librarian time allocation should be calculated on a student body count, not the FTE.

We submit the following recommendations:

That the teacher-librarian allocation funding be based on the student body count rather than FTE;

That teacher-librarian allocation funding be based on a ratio of 1:500 or less;

That all elementary schools shall have a minimum half-time teacher-librarian allocation;

That principals and schools boards not have authority to reassign teacher-librarian allocation to other teaching functions, such as for the delivery of preparation time.

Mr Stevens: I'd like to add one more area where a teacher-librarian is really taken in, where the use of their time has been cut.

Every school in Thames Valley now has computers, has a network. Most of us are slowly but surely getting hooked up to the Internet. Every school has a server, and those computers, once they are set up and running, don't just carry on by themselves without problems. Usually in every school they've asked to have a volunteer computer contact teacher. The job of maintaining the server, the job of dealing with how to get the new report card programs running, is left to this volunteer. There is no funding for that job. We invested millions of dollars in computers, but we have very little support money to get them running, to in-service people on how to use them, to troubleshoot them when they have a problem with software or hardware. Student administration, getting students signed up on computers, is also a difficulty. Somebody has to do the job, but there is no recognition that this job is worth doing.

School reorganization, school closures and accommodation: The funding issue that currently has the most media attention in the Thames Valley vicinity and that has motivated communities to organize and lobby the Thames Valley District School Board is that of school closures and the reorganization of boundaries. Currently, three Thames Valley communities are undergoing the turmoil of school closure and/or reorganizing their school boundaries and communities. This situation is occurring in Woodstock, Dorchester and St Thomas, where up to seven elementary schools are vulnerable to closing and many more will be impacted by the resulting change in school demographics and cultures.

Precipitated by arbitrary space limitations in this shortsighted and inflexible funding formula, the Thames Valley District School Board, like many others throughout the province, is forced to close small community schools in order to meet the criteria for continued levels of funding. Very young students are bused to farther schools, grades 7s and 8s are forced to attend classes in secondary schools, and programs are lost, oversubscribed or watered down to accommodate the changed population. Long overdue renovations to elementary schools are forgotten in this kind of exercise. The overall result is no-win. Class sizes go up, education quality goes down, community morale declines and trust in the responsiveness and integrity of the public education system is dam-

aged further. Therefore, it is our recommendation that the formula for funding elementary pupil spaces be increased.

Ms Holgate: In conclusion, the EIC's third interim report confirms what elementary teachers have been saying: that most school boards are spending at or above the level of funding the Ministry of Education provides for classroom expenditures. Boards are paying their bills by drawing on dwindling reserve funds, by diverting temporary mitigation money and by scraping dollars from other strained lines in the education funding formula.

The EIC has also identified many other problems with the funding formula and confirms that major elements are dangerously underfunded. The Minister of Education and the Premier have heard this message from teachers, parents and school boards. Now they are hearing it from their own government agencies. If they have listened, surely it's time to take action.

If you are following our brief, we have summarized our recommendations to the committee on the last page.

I have to apologize. In our haste to get here from London in the weather this morning, we referenced the complete report that the ETFO survey has developed. I may be assuming incorrectly, but I can forward that later in the day to this committee for inclusion. It's my belief that our provincial body has also forwarded it to the ministry, but I can look after that detail for you.

The Chair: On behalf of the committee, I would like to thank you for your presentation this afternoon but we have exhausted your time so there is no time for questions and comments.

It looks like we're going to have to take another pause. The 3 o'clock group is in the building, but we can't locate them. So until the mayor of London shows up—or if the other group shows up first, we might be in a position to take them—we'll have to take a short break.

The committee recessed from 1412 to 1415.

ALLIANCE OF CANADIAN SECOND STAGE HOUSING (ONTARIO CAUCUS)

The Chair: If I can get your attention, we'll bring the committee back to order. We have our next group in the audience, the Alliance of Canadian Second Stage Housing (Ontario Caucus). Could you please step forward and state your names for the record.

Ms Shelley Yeo: Shelley Yeo.

Ms Donna Hansen: Donna Hansen.

Ms Ruth Hyatt: I'm Ruth Hyatt.

The Chair: On behalf of the committee, welcome. You have 30 minutes for your presentation this afternoon.

Ms Yeo: Thank you very much for inviting us to speak to you today about second-stage housing. We're going to focus on who we are, some of the history of second-stage housing, some current stats and our financial status today.

Second-stage housing was developed in response to an identified need for long-term safety and support for women and children leaving abusive relationships. Emergency shelter workers witnessed women having to return to abusive partners when leaving shelters because of a serious lack of safe, affordable and supportive housing alternatives in the community.

Approximately 40 women are murdered by their estranged partners each year in Ontario according to a 1994 study of intimate femicide. The study also shows that women are most often killed after first leaving a relationship.

The first second-stage housing program in Canada was built in 1979. Between 1985 and 1995 the number of second-stage housing programs in Ontario had grown to 28. A survey by the Canada Mortgage and Housing Corp shows that safety is the number one reason that women, with or without children, seek housing at second-stage housing facilities.

Today there are 23 second-stage housing programs operating in Ontario and one second-stage housing program in the building stage. The facilities range from three units to 40 units, with a total of 350 units. They are typically self-contained apartments, townhouses or single-family units where women can live independently with their children for approximately one year. The length of stay depends on the needs of each woman and the program guidelines.

Women often access second-stage housing after leaving women's crisis shelters. Living in second-stage housing provides women the opportunity to rebuild their lives and the lives of their children in a safe, affordable and supportive environment.

Second-stage housing provides a unique service to women and their children. Women living at second-stage housing are usually on a low income. During their tenancy, women are able to set goals and objectives, connect with appropriate community resources, and are provided the opportunity to build on new skills as they move on to economic independence.

Support in most programs is offered through individual and group counselling in order to assist women and children to develop coping strategies, build social networks, enhance self-esteem, understand the impact of violence in their lives and develop realistic future plans.

Many of the children and youth at second-stage housing have been the targets of physical and sexual violence and most have been witnesses to woman abuse. According to *Children Exposed to Woman Abuse*, a recent handbook that was compiled by the London Family Court Clinic, children who witness woman abuse frequently experience post-traumatic stress disorder. The symptoms of PTSD include extreme anxiety, fear, irritability, intrusive thoughts and flashbacks about the violence, unpredictable anger outbursts and avoidance of situations that remind them of the abuse they witnessed.

These children have a number of needs in common: breaking the silence of abuse; learning about safety planning in case the abuse recurs; learning they were not at

fault; processing the traumatic memories in a safe and nurturing environment; assistance with coping strategies around trauma symptoms such as irritability, avoidance of situations which remind them of the abuse, anger outbursts and fearfulness; learning that there are alternatives to violence in relationships and that violence is not acceptable; learning about equality in relationships; and dispelling the myths about woman abuse.

Individual and group programs strive to increase children's and youth's knowledge and awareness of these issues, developing coping skills and supporting them in making healthy choices in their lives.

Ms Hansen: A recent questionnaire that was completed by individual program directors in second-stage housing in January 2000 indicates the following results for the year 1998.

We learned that there are 350 units of second-stage housing in Ontario and their occupancy averaged 90%. Some 2,088 women and children lived in second-stage housing programs for the year 1998. Some 1,556 women applied for residency in second-stage housing programs, but 604 of those women who applied did not move in, and the most common reason that was given to me via the questionnaire was that there were no vacancies. The average length of stay in 1998 in second-stage housing was 8.5 months.

Seventy-seven per cent of the directors reported that counselling services couldn't be easily accessed in their communities. They gave reasons, and they included: lack of available and suitable services in their community; too long waiting lists; lack of affordable transportation; the distance to travel was too long from their second-stage housing program to the services they needed; and women were fearful of being in the community and being found by an ex-partner.

One hundred per cent of the directors reported that in 1995 their programs provided on-site counselling services for both women and children; 38% reported that in the year 2000 their programs provide on-site counselling services for women; and only 29% reported that in 2000 their programs provide on-site counselling services for children.

Eighty-seven per cent of the directors reported that in 1995 their programs provided on-site group counselling services for both women and children. In 2000, that number has dropped to 38% of the programs that can provide on-site counselling services for women and 11% that do provide on-site counselling services for children.

Eighty-six per cent of directors reported they had staff on site to provide referral services until December 1995. In January 2000 only 40% of the directors report having staff to do this work.

Directors report that 75% of the programs had staff available to provide assistance in accessing education and/or training opportunities in their programs before 1995. In January 2000 only 33% of the directors report that they have staff available to do this work.

It is important to note that on-site programming at second-stage housing is now being provided mostly by

counsellors who come into the facility from a counselling service in the community for a very limited number of hours each week. Directors are reporting that this is just not adequate. They report that there are insufficient hours to meet the needs of the women and children and there are long waiting lists. Further, they report that the counsellors coming into the facility cannot create the same level of trust and continuity of service that an on-site counsellor can provide. One director reports, in reference to children's counsellors: "Trust issues are not being dealt with. Volunteers and students come and go. Children (whose mothers have been abused) have suffered enough losses in their lives."

The results of the questionnaire clearly show that full-time, on-site counselling services to women and children are needed to meet the needs of women and children in second-stage housing in Ontario. As well, it is clear that in January 2000, counselling services to children have almost disappeared from second-stage housing programs. Statistics show us that children who witness violence or have experienced violence too often grow up to repeat the violence as adults.

Ms Hyatt: By far the biggest struggle facing all second-stage housing programs in Ontario today is the serious lack of funding to support counselling programs. However, the impact does go beyond the cuts to staff and services.

The number one reason that women enter second stage housing is for safety, and in many programs safety and security have been compromised. There are two reasons for this: (1) There are insufficient funds to repair, maintain and upgrade security systems; and (2) there is insufficient staff to ensure that safety policies and procedures are followed.

We have heard stories where women have been able to move ex-partners into their apartments and there is nothing to protect the other women from these abusive men. At times, women, children, staff and volunteers are at risk from abusive partners determined to have access to the women. Every effort must be made to ensure the safety of everyone connected with the program.

Priority status moves the woman who has left an abusive relationship to the top of waiting lists for housing. In Dryden, because of the cuts to funding, the second-stage housing program is now under the administration of the local housing authority. They are addressing only priority status issues and only allowing women some place to go. There is no staff on site to provide any level of counselling or support. Safety becomes a serious issue if programs do not have adequate staffing.

Partnerships between violence-against-women agencies and community groups are used to develop prevention initiatives and public education events and to coordinate the services provided to victims of violence. Most staff in second-stage housing report that it is difficult, if not impossible, for them to attend coordinating committee meetings for violence-against-women services, for children's services in their area and for domestic

assault review teams. This is because of a serious lack of time, money and staff.

Credibility has also become an issue for second-stage housing throughout the province. Systems were in place prior to 1995, when programs were funded, to ensure that the programs were supportive, responsive and accountable to the women and children using them. The complete withdrawal of funding to support counselling services disconnected the programs from the government body that gives direction to all other violence-against-women service providers. Therefore we are no longer directly involved in policy development and program planning, which also means that the women and children using our services have been taken out of the decision-making process.

Many program directors found that prior to 1995, information flowed through the provincial funding body. When funding was cut, information stopped flowing. In order for the service providers to maximize women's safety, it is imperative that they keep abreast of the changes that occur in systems that affect the lives of women and children in the program. An example of information that has not reached the second stages are the proposed changes to the child welfare legislation involving reporting procedures and service delivery.

Though staff training is a priority for many second-stage housing programs, it is not possible to allocate funding resources or staff time for training and development. Many second-stage housing boards, volunteers and staff have also needed to change their focus to fundraising for survival of the agency. Day-to-day issues and actual work with the women and children must be attended to around fundraising schedules. Many second-stage housing programs in the province have experienced significant losses of staff. Many have left exhausted and burned out.

Though second-stage housing programs may vary in size, configuration and management style, the mandate of all programs is to deliver services that will contribute to keeping women and their children safe. We need the help of the provincial government in order to continue to provide these efficient and cost-effective programs.

In the four years since 1995, all second-stage housing programs have changed. Counselling programs have been carved to the bone and many programs are in crisis-survival mode. Today, on behalf of the Alliance of Canadian Second Stage Housing, Ontario Caucus, we are asking the government of Ontario to support the continued operation of these programs for women and children fleeing abuse in this province. We are requesting \$120,000 in annualized funding for each second-stage housing program in the province, which would be a total of \$3,360,000.

We thank you for listening to our presentation and would be pleased to answer any questions you might have.

1430

The Chair: Thank you very much for your presentation. We have four minutes per caucus, and I'll start with the third party.

Mr Christopherson: Thank you for your presentation. I would say that if anybody should be answering questions around here it ought to be the government. For the life of me, I don't know how some members of the government caucus manage to continue to look themselves in the mirror, given some of the things this government has had to do.

We have maintained from the beginning that, on balance, the vast majority of decisions this government has taken, outside of their fiscal policies, negatively impact women and children. You mentioned that the majority of women you deal with are low-income, so some would be using social services. We know their income was cut by 22%. God forbid that somebody who makes \$200,000 a year would have their pay cut by 22%. But it's OK to do it to the poorest of the poor, the majority of whom are kids, and we know that most of those families are headed by women.

The complete abandonment of affordable housing—gone—affects this group of citizens the most. Removal of rent control, if they do happen to have somewhere to live. A lot are living in the inner cities. Because they don't have transportation, they need bus services. That, of course, has been downloaded to the municipalities. It's slowly going to be whittled away.

If you are in the inner city, you're going to one of the inner-city schools. If you've heard any of the teacher or parent presentations we've been hearing while we've been on the road, inner cities are facing the biggest crunch. That's where the greatest challenges are. You have children with developmental difficulties who need educational assistants, and they're not there. English-as-a-second-language services aren't there. All these things are affecting kids. Health care—often the woman is the primary health care provider in a family situation. All these things affect women. Yet, time after time, these bloody economists roll in here, and a lot of the chambers, and tell us how wonderful everything is. Everything is great; it's the best it's ever been. Well, for some people I guess it is. But for an awful lot of people, these are the worst of times.

God help us if they're still in power when the economy goes in the ditch. If this is the way they treat women, children and families in good times, it's nightmarish to think what's going to happen in bad times, in difficult times.

My question to you would be: Are you yet accumulating statistics that tell us what is happening to women who have no alternative than to return to abusive relationships because there's nowhere else for them to go? Do we know what's happening out there statistically, and if not statistically, at least anecdotally?

Ms Hyatt: I know that we've barely been able to keep stats ourselves.

Mr Christopherson: Because you don't have the funding to hire the people to do it.

Ms Hyatt: We don't have the manpower, or the womanpower, to do that. We do know that in our communities, where we have talked with other second stages, there could always be more second stages. But what we need is support right now for the ones that are currently in operation.

Ms Hansen: We believe that on Wednesday you'll be speaking with Eileen Morrow from the Ontario Association of Interval and Transition Houses.

Mr Christopherson: I know Eileen. She's from Hamilton.

Ms Hansen: I would be very surprised if she didn't tell you that shelters are seeing huge amounts of return visitors, women returning again and again. They come, spend their six weeks and can't find a place. They go back, they are re-abused and they come back to the shelters. I imagine that a lot of that is going on.

Mr Christopherson: What does your provincial organization hear from the government, from the minister, when you lay these issues in front of the minister? What kind of response do you get? How do they justify, or how are they attempting to justify?

Ms Hansen: We still hope we will be given a meeting with Minister Baird. Mr Baird has met with one second-stage housing provider in Woodstock. We are working with the Liberal women's issues critic, and we hope that in time we will get a meeting scheduled with Mr Baird.

Mr Christopherson: So the biggest hope you have on the horizon right now is a meeting?

Ms Hyatt: We've been asking for a meeting since 1995 and haven't been able to get one.

Mr Christopherson: Sorry, say that again.

Ms Hyatt: We've been asking to have a meeting with the minister since 1995, and we haven't yet been able to do that.

Mr Christopherson: That's incredible. It's mind-boggling what's going on in this province. The phrase has been used before, the idea of two Ontarios, but never have we seen such inequity in terms of those who are doing so well getting more and more, and those who are doing the best they can to survive and are facing horrors in their lives doing worse and worse. What the hell happened to the Ontario we grew up in? I'm done.

Mr Johnson: I had a comment or a question. Donna Hansen used to be administrator of Emily Murphy in Stratford, and you are she?

Ms Hansen: Yes.

Mr Johnson: I'm glad that you took the time to come down today with your colleagues, Donna, to make us aware of your views on what has been done and what should be done.

I wanted to make one definitive comment. The last paragraph of your presentation comes down to a very specific costing and has given us a very specific request, and I wanted to compliment you on that. So often we are given some very soft and fuzzy requests by groups that would like us to do something, but we're not asked speci-

fically. I think of the last two or three that have presented here, we don't really know what the cost of the request is. I wanted to compliment you on being able to define that specific need. I don't by any stretch of the imagination want to leave the impression that this would cure all the ills and fill all the needs that you feel you have, but I wanted to compliment you on making yours very specific. It seems to me, as a finance committee, that's what we have to do.

Ms Hansen: May I compliment you, Mr Johnson. The Emily Murphy Centre second-stage housing in your riding has 20 units. In all of Toronto there is nothing comparable. Nellie's in Toronto used to provide a second-stage housing component to its program, but when the cuts came that closed. Nekanaan has 40 units and they are for native Canadian women in the former city of York; that's it. Windsor does not have second-stage housing; Chatham does not have second-stage housing. If you look at the map just inside, you will see that in the far north there are three; two of them have been taken over by their local housing authority. Besides the programs being starved for money for the last four years, there are huge gaps in service where women do not get even a chance to be turned away from a full second-stage housing centre; there is no second-stage housing. So you're a very lucky MPP, Mr Johnson, to have a facility like the Emily Murphy Centre in your riding.

Mr Kwinter: Thank you very much for your presentation. I read it with interest but also with a little bit of puzzlement, only because I'm not familiar—I am from Toronto and, as you said, there are only a couple in there and it's not really well known.

This has been around since 1979, and you've now got about 350 units. Is that correct?

Ms Hansen: Yes.

Mr Kwinter: Who funds the bricks and mortar?

Ms Hansen: It's important to note that in 1979, Second Stage housing started in BC. It never really got started in Ontario until about 1985.

Ms Yeo: We're all funded differently, especially since our funding was cut four years ago. Some of us have bricks and mortar funded through municipal affairs and housing; some of us are all fundraised dollars; some of us have been taken over by shelters. I'm from London Second Stage housing. We were taken over by the shelter, Women's Community House. That assists us with our funding, so we're able to continue with the program we offer, or at least we're able to house women in a safe, affordable, supportive way. Second Stage in St Thomas is all fundraised dollars, I believe.

Ms Hyatt: We get no provincial funding whatsoever. A federal grant built our building and we have a forgivable mortgage. But beyond that, we have no funding whatsoever. We raise the dollars.

1440

Ms Yeo: As Donna mentioned, there are two second-stage housing facilities in northern Ontario that have been taken over by the local housing authority, so that's how they receive their funding, but they're not able to

provide the program that they were able to provide four years ago.

Mr Kwinter: Does the provincial government have any responsibility for these programs at all?

Ms Yeo: No.

Ms Hyatt: We had contracts, initially, for them to supply the dollars for the counselling programs, but that was all withdrawn.

Ms Yeo: That was all withdrawn over four years ago.

Mr Kwinter: That's what I'm trying to get at. Right now the Ministry of Community and Social Services is providing no funding.

Ms Hyatt: Not for the counselling.

Mr Kwinter: The only funding you get is either through local agencies or through fundraising, and I guess some forgivable loans at the federal level. Is that correct?

Ms Yeo: Yes.

Mr Kwinter: What is the legal entity that owns each of these particular second-stage housing projects? Does each one have its own situation?

Ms Yeo: They're all independent.

Ms Hansen: I guess you could say that the taxpayers really own them, because the Ministry of Community and Social Services used to fund in-house counselling, and most of us were getting monies from municipal affairs and housing for the mortgage and the bricks and the mortar. Then they're all managed by independent volunteer boards of directors who direct the staff.

Mr Kwinter: At the present time they have sort of cut you adrift and you're out there on your own.

Ms Yeo: That's correct.

Mr Kwinter: You're now looking for the government to provide you with some stable funding so that you can implement these programs and provide the services that you do.

Ms Hyatt: And to be part of all other programs as well. We've just been cut adrift and are expected to survive on our own. It has done more than just cut the services. I have worked in a lot of social services programs. I watch women come through our doors initially confused, very upset, not knowing which direction to take. Eight months later, when they're leaving that program and they have been through all the group and individual counselling and their children have been through the programs that are provided for them, they leave with such great self-esteem. Sometimes we think, "Oh, my goodness, should we be releasing them into the world?" because they're just ready to do things, so independent, and go back out there and lead productive lives. It works; we know it works. That is what's frustrating about it.

Ms Hansen: We feel very strongly that second-stage housing can lower that number of 40 women a year killed by their ex-partners because they come at the time when the murders would be happening and they get safety and support. Their lives, we believe, are literally saved by coming to second-stage housing. We would like very

much to have that number go down to nothing in our lifetime. It would be great.

The Chair: On behalf of the committee, thank you very much for your presentation this afternoon.

CITY OF LONDON

The Chair: Our next presenter this afternoon is the mayor of the city of London. Your Worship, could you please step forward and state your name for the record.

Ms Dianne Haskett: Hello. My name is Dianne Haskett. I'm the mayor of the city of London, and this is John Winston, our intergovernmental affairs director. We're very pleased to be with you today. It looks like a long day.

The Chair: On behalf of the committee, welcome. You have 30 minutes for your presentation this afternoon.

Interjections

Ms Haskett: Should we just wait a moment?

The Chair: I think we might as well start, Your Worship, and if they get disruptive we'll deal with it.

Ms Haskett: That's fine.

On behalf of London city council, we welcome the opportunity to be here today in Chatham to provide our input into the Ontario 2000 budget. The city of London has offered input in previous years during provincial pre-budget consultations and we are pleased to do so again. The city of London is seeking to become more actively involved with our provincial and federal counterparts. We feel it is important that we work more closely with both levels of government in order to ensure that there is a better understanding of the way provincial and federal public policy affects Ontario's municipalities.

If I could draw your attention to an example of that, we have felt that the municipal perspective be taken into account and have had the opportunity to meet with various ministers on a number of issues. London has shown real initiative, in particular this past summer with the superhighway issue. You may know that on June 18 last year in London we hosted the mayors' summit on superhighways.

The Chair: Mr Arnott, if you're going to carry on a conversation, could you go outside, please?

Ms Haskett: We in the city of London feel very strongly that some of these major issues—and I just used our major highway system in the province of Ontario as an example; it's a provincial issue, but it also dramatically affects how we succeed as municipalities because, for example, London now goes all the way down to the edge of Elgin county, which means the 401 runs right through the centre of our city. The 402 also runs right through the city of London. We see even transportation as a national issue. We have been lobbying very hard for a national policy on transportation. But we know that the funding and the primary responsibility is provincial, and you'll hear me saying several times in my presentation today that we are looking to the provincial government in your budget to recognize the need for spending on pro-

vincial highways. We want to be at the table with you when it comes to talking about the impact on our municipality, when it comes to talking about policy. We've heard recently about the possibility of toll roads being used through southwestern Ontario in order to deal with some of the great demand we have for trade and tourism. We want to be consulted on that.

I'll speak later to the issue of the funding in this budget for superhighways, but I use this as an example of the fact that we do appreciate opportunities such as today, and other opportunities, to meet with ministers and ministerial advisers, to see what is the municipal perspective on how the dollars are being spent and on how policies are being formulated.

You all have copies of our brief that was provided some time ago, so I will not read from it. Instead, I would like to touch on the highlights contained in our presentation and answer any questions that you might have.

According to the *Financial Times*, the city of London is the best-run city in Canada. Companies like General Motors, 3M Canada, Trojan Technologies, Ford, Magna and Kellogg have chosen to locate in London and area. They each made the decision to invest based on our highly trained, skilled workforce, our infrastructure, competitive municipal tax rates and a positive attitude by local government towards business. Having said that, I might draw to your attention that the city of London has had a tax freeze for the last two years, and as strenuous as it has been for our municipality to adapt to the dramatic restructuring and downloading that has been occurring in recent years with this provincial government, we feel that if any municipality has adapted to that, the city of London has. We have done the best that we possibly could, but throughout we have always asked for the opportunity for consultation, and we continue to ask for that today.

Even though the city of London has done its best in the restructuring, and we have done our best to keep taxes low and in the last two years to freeze them, I do have to tell you that the city of London also has its share of residents who are very financially challenged. It's hard for us to understand why, but we're a city that when provincial studies have been done, we find that we have more than our percentage of those who are below the poverty level. There are many Londoners, frankly, who have been suffering. They have been suffering, I have to be frank with you, to a certain extent because of some of the provincial policies and the cutbacks that we've seen, for example, in welfare benefits and other related cuts.

We have tried as a municipality to be balanced in our decision-making and balanced in our policies, and we ask you to do so as well in this provincial budget that you're bringing up. It's important that we be pro-business as a municipality. It's important that you be pro-business as a government, and that you attract investment to our province so there are many jobs and opportunities for people. But we must not forget those who are in serious need. We don't want to see people slipping through the cracks. Two or three years ago we set up the Mayor's Anti-

Poverty Action Group and all of our policies right now, when it comes to those who are poor, are driven by the recommendations of the document put out by that group. We find ourselves, frankly, so often having to step forward and fill in the cracks that have been left by some of the changes in provincial policy. So we would ask you to be balanced in this budget. Yes, keep taxes low in the province of Ontario and reduce the deficit, but don't forget those who are poor.

Our goal in London is simple: to ensure that our citizens have every opportunity to achieve economic and social well-being for their families and to maintain the exceptional quality of life that we have worked hard in London to obtain.

1450

Provincial funding is key to maintaining our current physical and educational infrastructure. This funding must be stable and predictable in order to allow for long-range planning and phased expansions, upgrades to our schools, hospitals, roads and community facilities.

I would like to draw to your attention the fact that right now in the city of London we are, as a council, taking the very bold initiative to invest in a number of ways in our community. London is a city that, in order to keep its tax rate low over the years, previous councils have not spent in areas where they needed to spend: on sewage treatment, sewer systems, community facilities and on many of the things, for example, that can make for a vibrant downtown.

This council is investing dramatically in our infrastructure and in our community infrastructure by way of facilities, such as new libraries, arenas and so on. We are doing so, and we're doing so responsibly. We're maintaining a AAA credit rating in the process, but we need to have stability and the ability to do long-range planning because we know what the provincial government is going to be doing. It's very difficult for us if we get hit by surprises partway through the year.

We applaud your commitment made in the recent speech from the throne to new infrastructure designed to meet the needs of tomorrow's entrepreneurs, students and workers. We could not agree more on the importance of modern schools, new roads and information networks.

The speech also touched on other areas of critical importance to the city of London. It announced that the Minister of Economic Development and Trade will work with other ministers to establish a public-private sector task group. The task group is to recommend the best long-term approach to stay competitive, create future jobs and promote high technology and innovation.

We support the concept of public-private partnership and collaboration and have been quick to follow up with the ministry to offer our assistance. We have had a policy of public-private partnership in place for many years. By working together, the province and municipalities can ensure continued economic growth and prosperity.

An excellent example of what can happen when governments work together is our city's hosting of the 2001 Canada Summer Games. Not only will this help

Ontario regain its leadership in sports facilities, coaching programs and athletic performance, it will also improve our infrastructure and strengthen Ontario's tourism industry, one of the fastest-growing industries in the world.

Speaking of infrastructure, I want to be clear that the city of London is supportive of the SuperBuild fund. As an example, education, health care and biotechnology are three areas that our city clearly has an interest in both nurturing and protecting. Finance Minister Eves announced in last year's budget speech that the initial focus of the fund would be on strategic investments in our universities and colleges in health care and in roads.

Our response was overwhelmingly positive, since London is a leader in both post-secondary education and in health care. We at city council have invested some \$15 million in the local health care restructuring initiative: \$10 million in support of the University of Western Ontario and its SuperBuild application and \$5 million for a biotechnology incubator. We have already initiated discussions with the SuperBuild Corp to work with them in identifying future opportunities for the city of London.

As a world centre for organ transplants, we are pleased with the province's commitment to develop an organ donor action plan to increase the number of organs available for transplant.

And on roads, as I was starting to say earlier, before I was a little bit distracted—sorry about that—I was starting to mention to you that in the city of London we've tried to play a leadership role in bringing together mayors across the province, first of all with the mayors' summit last summer, and that has now grown into the mayors' alliance on superhighways, where we are continually, with mayors across the province, bringing the message to the provincial and federal governments that our superhighways are in need of a national policy. We are pressing to have the provinces and the federal government go in partnership together.

If, years ago, when I was younger, there was the foresight to build the TransCanada Highway or even, for that matter, the tremendous foresight that was shown by earlier provincial governments to build the 401 and to build those highways not for the traffic that would go on those roads at that point in time but for what they anticipated in the decade or so ahead, we feel that at the very least we have to do the same today, and we want you to have a message clearly from us that the SuperBuild fund should not be for that. We should not be expected, as a municipality, to contribute towards the provincial highways. We want to encourage, we want to be there with you shoulder to shoulder in going to the federal Minister of Transport and encouraging a federal policy on transportation, opening up federal dollars, because, after all, most of the trade and tourism in the country is occurring right here in Ontario. We feel we need our municipal transportation dollars for our own roads, our own bridges and our own transit, so please don't misunderstand anything in our brief that we've provided to you. We want to work in partnership with you in the best way we can on the provincial highways by being a voice of support, but

we want to be in partnership with you financially on roads, bridges and these sorts of things only when it comes to our municipal roads, because we are frankly very stretched in that regard.

In his remarks before the committee, I mentioned earlier, the finance minister announced that Ontario will deliver a balanced budget this spring for 2000-01. We applaud the government for this. We also encourage the government to make investments in Ontario that we believe will pay dividends in the future.

In the upcoming provincial budget we would like to see the following: first, substantial dollar amounts for strategic highway improvements in specific partnership arrangements; second, continued spending on hospital and health services sector upgrades; third, continued funding for innovation in education and biotechnology; and fourth, ongoing investment in land ambulance and dispatch requirements. We go into quite a bit more detail about that in our brief. Finally, as you know, the 10-5-5 cap on the current value assessment program ends this year. We are looking forward to seeing what is proposed to replace the caps. I've had opportunity personally to meet with Minister Eves about this and to speak to some of our own members of provincial Parliament.

We would like again to see predictability and fairness but, moreover, we would like to see a plan. We have not yet heard what the government plans to do when that cap is lifted, and it does eventually have to be lifted so that people will end up paying taxes for their properties that reflect the actual value of those properties. We have encountered quite a bit of difficulty in London because of that 10-5-5 cap coming back on arbitrarily, and we need to know what the government's plan is so that we can plan and so that we can communicate with our citizens.

Another point that I wanted to make is possibly for this budget, but it's for the budget beyond as well. We would like to show support in the strongest possible terms for the infrastructure program that's a three-way partnership with the federal government of which we've seen two versions previously, what we call the COIW program. I don't know if that's how you refer to it in your circles. We used that program very significantly when it was available earlier this decade. We feel that it was a great vehicle to create investment in our communities, and it raised the calibre of communities across the province.

The key that I would appreciate you as MPPs writing down is that we as the municipalities must be the ones to tell you where those dollars can best be spent. It is absolutely wrong for the Premier and the government to say, "All right, here's how much we get from the federal government, and we will decide how that is spent across the province." There has to be a fairness in the dividing of those funds among municipalities. I believe, with the greatest of respect, that no group knows better than local councils and mayors where those funds need to be spent. As we look to the federal government's budget and what we are hoping will be their announcement of a similar infrastructure program, we do hope that you will recog-

nize that the municipality needs to be an equal partner in the decision-making and in the spending.

There is still the need as well to have the new Municipal Act passed in order to clarify the roles of the two levels of government. That will ultimately lead to greater efficiencies, we believe, for both governments.

In closing, on the remarks that I have at this point—I'm going to take just a moment to highlight a little bit of the brief—we want to acknowledge the provincial government's efforts to create jobs and improve the investment climate. The city of London, like many municipalities, has an important role to play in ensuring that the momentum continues. We look forward to working together on the building of crucial new infrastructure.

1500

I do want to say that we have tried with a concerted effort in the city of London, in spite of the challenges, to work with the provincial government. We accept that this is a government that has certain philosophies and certain policies and we don't always agree on what those policies are, but we have tried in every instance to come to the table, to work together and to adapt to whatever the present reality might be. We would always continue to ask for the opportunity to do that. In other words, it's not just the budget that comes down; it's how we are given the opportunity as municipalities to be consulted and to be able to ensure that the way these policies are carried out is the fairest possible.

If I could just take a moment and only highlight two or three sections from the brief. I'll just highlight the headings. First of all, you can see what we say about Super-Build, about economic development, about health care, on restructuring, access to service, information systems, federal transfer payments, how we support the provincial government in your efforts with the feds, and what we say about education.

I would like to draw your special attention to what we say about social services, and I'll just take a moment to read that. The city of London has been active in seeking appropriate solutions to poverty-related issues in our community, and we encourage the province to: (1) examine the issue of shelter ceilings, which are frequently inadequate, to allow Ontario Works participants to sustain quality housing; (2) reinstate the monies deducted from social assistance recipients as a result of the national child benefit supplement; (3) reconsider the elimination of special assistance and supplementary aid for the working poor; (4) reconsider the elimination of the pregnancy allowance; and (5) provide budgetary support for any costs associated with the implementation of a new social assistance service delivery model.

If I might move down to housing. To ease the issue of homelessness, the city of London believes that funding is required to address the following needs: (1) enough year-round crash beds, that is to say, beds with no other support services provided for the more difficult to serve; (2) community support workers to provide assistance to those individuals and families leaving emergency shelter and moving to permanent accommodation; and (3) a

central housing registry to access both social and private sector housing.

The city of London endorses the FCM quality of life infrastructure program proposal, which calls for all levels of government to participate in the provision of adequate and affordable housing for all Canadians now and in the future.

We have right now an affordable housing task force that has been meeting in the city of London for almost the past year. I'd like to tell you that this has been a very broad-based committee, although the person who initiated it might be described as very left of centre, out of her concern for the poor and for the housing needs in the community. We have seen brought together members of the development industry, in other words, the housing construction industry of the business community in general and of all aspects of the community.

This group has been gathering data and gathering opinion throughout the city of London. I can tell you that we are very concerned that we will not be able to meet the needs that already are there now, let alone what will be there in the future, if we do not have greater help with the capital cost of rebuilding housing that needs to be rebuilt and building new housing where it is needed. We have a long waiting list of people who need affordable housing in our community—3,000 families currently. You can just imagine how many that is if you add up all the members of the family in current need in the city of London. We do not have the resources to all of a sudden be finding it within our budgets, based on the property taxes, to be building.

We're not saying it's all the responsibility of the provincial government. We're saying the federal government has really stepped away from it's responsibility. We want to be a partner with you in pressing them and in playing your own part.

You see our comments on policing, which we feel are quite significant. We've been really stretched in the city of London with the need for more police officers. The police college is not graduating sufficient numbers. I've talked to you already about what we feel about highway improvements, and you can just amend the comments in the brief here to reflect some of what I said about where we feel the funding should come for that.

I'll just finally close by reiterating our point that we support the pro-business, low-tax approach of the provincial government, that we don't feel that you should move forward so fast that you forget those who are in need. We believe that in the long term, any community that forgets its poor and forgets those who are in great need, whether it be those who are disabled or those who are students needing help with education and so forth—it may be a short-term gain but it will not be a long-term gain. So we urge upon you balance and we urge upon you consultation with the municipalities, particularly with London, since I am here on behalf of London. We will always come to the table any time you offer us the opportunity.

Thank you for this opportunity today, and I'd be happy to answer any questions.

The Chair: Thank you very much for your presentation. We have three minutes per caucus, and I'll start with the government side.

Mr Arnott: Thank you, Mayor Haskett. I really appreciate the presentation you made today. You've been fair. Where you've been critical of the government's policies, you've been constructive in your criticism and you've offered alternatives, and we appreciate that.

I am glad you mentioned that the federal government has reduced transfers for health care to the provinces. The reduction to all the provinces in recent years has been in the range of \$6.2 billion. Last year's federal budget gave partial restoration of those cuts to \$2 billion, but certainly the provincial government has been forcefully pushing for full reinstatement of those reduced health transfers as well as the establishment of an escalator clause to respond to our growing and aging population. I am glad you highlighted that issue, among the many issues you raised.

Ms Haskett: That's probably the issue you hear about more than any from the electorate; we certainly do. Obviously, we have shortages of all sorts of specialists and GPs in London. At one time we didn't, but we certainly do now. So I hope you are hearing that message loud and clear.

Mr Arnott: Yes. Thank you.

On another issue, you talked about the 10-5-5 property tax cap for business properties. You've suggested that the city would encourage the province to initiate an exit strategy that incorporates predictability and fairness. I'm wondering if you're in a position to be more specific as to what your city would recommend the provincial government do in this respect.

Ms Haskett: Frankly, we wish the provincial government had left things the way they were, which was to go to market value assessment. We as a municipal council already took all the political hit there was to be taken on that. That was mostly coming from car dealerships that had purchased property which not too much earlier had been farmland, so it had been not terribly expensive property. Then, all of a sudden with market value assessment—none of them said their property wasn't worth what it was being assessed at, but they saw it was going to go up substantially. These were businesses that were making substantial profits.

We were probably going to lose votes from a certain sector, but we had already taken the hit. Then the provincial government came in and, for the whole city and for every municipality in the province it's this 10-5-5. What that meant was incredible inequity for those who had already been told their taxes were going down. They not only had to bump back up and lose that deduction, but then to see that again the next year is simply not fair.

I believe you should leave it to us as municipal politicians to deal with that, and we had dealt with that. I would say that since we're where we are now, the sooner you can get to market value assessment the better. If you have to stretch it over three years, that's fine. But don't be stretching it over five or seven years. We believe a

truly smaller percentage of businesses would have been impacted if you'd left things the way they were, and those were businesses that for the most part could have afforded it.

Mr Arnott: That may have been the case in the city of London. There may be other communities where—

Ms Haskett: I realize it may not be the same elsewhere.

Mr Hoy: Thank you very much for being here and making your presentation. I must say it is balanced, with some criticisms and some praise. From time to time we see suggestions that are weighted on one side and maybe not on the other.

There is much here to talk about, but I want to talk about the 401 and toll roads. The other day I learned through the press that Mr Eves was thinking about toll roads. It wasn't expressed or clear, but it seemed to be implied that these were new roads and not necessarily the 401 or the 402 that we know now.

Would you agree with the view that perhaps what the government should do first is make sure we have safe highways, such as the 401 or 402; that before they move on they should make the upgrades that have been suggested by many, provide the police that were announced in September and do those things first to the 401 and 402 or other roads the province has jurisdiction over before they move on to toll roads, expropriation of lands, which takes a great deal of time etc? Do you think we should work on the 401 first?

1510

Ms Haskett: I'm really happy that you asked that question, because I feel very strongly about the answer. I also want to say how much we in London have appreciated your intervention on these issues. We've seen that on a consistent basis and we've appreciated it. I feel very strongly that the provincial government needs to move immediately to improve the existing infrastructure. And I don't speak only on my own behalf; I can tell you that the mayors across the province are supportive. We have formed an alliance. We agree on the fact that the existing infrastructure needs to be improved, particularly between Windsor and London, and beyond; in fact, even beyond to Kitchener and so forth.

We feel that this area in particular where we are now, which has seen such carnage over the course of the last year—we've just driven it again today and we can see its shortcomings—must have a divided highway and it must have three lanes on either side. With all the infrastructure worthy of a province that is enjoying the benefits of NAFTA and all the free trade and tourism that brings, and with the safety of our citizens at stake, absolutely that has to be done first and foremost. We would not encourage toll roads before that is done.

However, I have said publicly that if the choice was put to me as the mayor of London, if I had a choice between no improvements and a toll road, would I accept a toll road? I've only said that I would, in that case, rather see an additional toll road than no work being done, no vision on improving the highway infrastructure, but we

would want to be consulted as a municipality as to where that would go. It would be very important to us that we continue to maintain the trade we now have and the tourism and so forth. I understand one of the toll roads they might be looking at might go from Windsor, for example, to the Niagara Peninsula. I would be very concerned as to what route that would take.

But I believe the best possible investment for the provincial government is the investment of improving the existing infrastructure.

Mr Christopherson: Thank you, Your Worship, an excellent presentation, really excellent in terms of looking at things from a municipal perspective. I think you've really captured the essence of what most locally elected municipal representatives struggle with in terms of trying to find that balance. I join with my other colleagues—I think you're the first one who has gotten us to do that, so that's an accomplishment right there—in congratulating you on the nature and the essence of your presentation.

A couple of things: You talked about the Trans-Canada and the 401 and the fact that those were made as investments. I think one could argue that we're living off the dividends of that investment, the same as you could argue that we're living off the dividends of the investment in our public health care system and our public education system, particularly at the post-secondary level, and if we don't get a renewed investment at this point, eventually those dividends are going to peter out.

First, I would want your thoughts on the notion that if they do start to peter out and someone makes the argument that there's not the capital there to reinvest, we ought to look at going to the private system, both in education and health care. How do you feel about that? Given your strong feelings about tax cuts, I think your opinion would be of value on that.

I was going to ask about the exit strategy, but that's been covered by Ted.

You also talked about the re-creation of a loan corporation similar to the ODC in terms of significant economic development initiatives in local communities. I would ask you to tease that out a bit, if you have any further thoughts on how that might work.

And a question that's totally unfair, so if you choose not to answer it, I'll respect that. But given that I quit counting at 14 initiatives you were recommending that actually had dollars involved, that to achieve some kind of benefit to what you were recommending there were dollars involved, if it came down to a question of being able to fund these recommendations but it meant giving up the planned 20% reduction in taxes, which way would you go? Would you give the higher priority to these investments or would you give the higher priority to the further tax cut, if it was a straight either/or?

Ms Haskett: It's going to be a real challenge for me answering this one because I'm not a provincial politician, and I know this is starting to step into a bit of political philosophy and policy so I'm going to tread—

Mr Christopherson: It's an election year too, so I expect you to be prudent.

Ms Haskett: I would say, when you were asking the question about health care and education and how we would feel about changing the whole underpinning, the philosophy that's been behind it of it being publicly funded as opposed to these partnerships with the private sector, I'm going to just keep my mayor's hat on here. Believe me, I have lots of other opinions if I were ever to run provincially or federally, but I just keep my mayor's hat on in these presentations.

The most important thing to me as the mayor is that the people of the city of London get the service they need, that we can maintain the quality of life and that people aren't having to wait for chemotherapy or cataract operations or things like that. That's the most important thing. In that sense, totally apart from any political philosophy, if what it takes to free that up, to make the system work a little better even in the short term, is some involvement different from what we've known in the last 20 years, then I would be flexible. It's more important to me that the people get the service they need.

I feel very strongly that we should never have a two-tier system where those who are poor cannot afford the same services as those who are rich, but I still think in all of that there may be an opportunity for people to still get the service by subsidy for those who are in greater need and so forth. If somebody, for example, has all the money in the world and they really want to have a cataract operation and they don't want to wait two years, it's part of that person's quality of life to be able to see, and I wouldn't stand in the way of that.

On the issue of reduction in taxes as opposed to some of these needs, I think there has to be a balance. It's not a matter of saying we don't want any of that 20% reduction in taxes. Frankly, that's helping to fuel a very strong economy in Ontario right now and we're seeing the benefit of that in London. It takes longer to work its way to London from Toronto than maybe to Mississauga. We're now finally starting to see that and our unemployment is finally starting to go down, so I wouldn't want the government to reverse its efforts to reduce taxes. But if you go too far—I think it's just balance—and take away too many of the services and programs and the quality of life starts to suffer, then businesses are not going to want to relocate here from the US and other parts of the world.

I would just say the watchword of this budget should be "balance," and it should not have the word "extreme" in it anywhere. It should be balanced, always bearing in mind those who are in need, while giving the tools to the business community to prosper and create the jobs for everyone.

The Chair: On that note, I'll bring the discussion to an end. Your Worship, on behalf of the committee, thank you very much for your presentation this afternoon. Drive carefully.

I guess we're going to have to take another slight recess because of weather. Our next presenter is not in the audience, so as soon as they show up we will take their presentation.

The committee recessed from 1518 to 1525.

DON CURRIE

The Chair: We have the 4 o'clock presenter, Mr Don Currie. Could you please step forward. On behalf of the committee, welcome. You have 15 minutes for your presentation this afternoon.

Mr Don Currie: I won't need that.

The Chair: I'm sure there'll be some questions, then.

Mr Currie: OK. My name is Don Currie. I live in Windsor and I work for Windsor Utilities. Overall, I'm very happy with the province's economic growth last year and the low jobless rate. I'm also happy with the strong growth predictions for the future in Ontario. The government needs to be congratulated for creating the necessary conditions for the stellar growth.

I have some concerns regarding debt reduction. I'm very happy that the government will finally have a balanced budget, but I'm concerned by the size of the province's debt. I would like to see a more aggressive debt reduction plan than the \$2-billion reduction promised over four years. I'm concerned that 16% of the government's \$60-billion budget goes to interest on the debt and that interest is our fastest growing expenditure. This is money that could be better spent elsewhere. I'm hoping that the government uses any future budget surpluses to pay down the debt more quickly.

In the area of personal income taxes, I'm very happy that the government is cutting the provincial income tax rate by an additional 20%. This is good news for everybody. But I am concerned with how steep our progressive tax rates are. Ontario currently adds two surtaxes on upper incomes. I believe that the government should work towards reducing and eliminating these surtaxes to reduce the highest marginal tax rate. A high marginal tax rate is a disincentive to hard work and contributes to the growth of the underground economy and to the brain drain. As well, I would like to see the government work towards raising the basic exemption level and keep hammering the federal government to reduce the federal personal income tax rate.

In the area of property taxes, again I'm happy that the government is cutting the provincial portion of the residential property taxes by 20%. That's great news for everybody, homeowners and renters. I would like to see the government work towards eliminating their portion of the property taxes in Ontario if that's possible.

In the area of business taxes, I'm happy that the government is continuing to cut the small business corporate taxes. They're going to cut the rate to 4.75%, half of its 1997 level. I would like to see the government to phase out incentives given by business tax credits and start looking at the economy as a whole. I think businesses currently make decisions to avoid paying taxes instead of on sound economic principles. Instead of the business tax credit, I would like to see the government introduce a low, broad-base business tax rate. I would like the province to keep pushing the federal government to reduce employment insurance payroll taxes to create more jobs in the province.

In the area of government growth, I'm happy that the government has tried to cut the size of government, but I still think more should be done. The government has grown at a rate of over 8% over the last four years, and I think that's more than inflation. I would encourage the government to find new ways of reducing the size of government by using new technologies to deliver all government services more effectively. I would also encourage the government to redesign the delivery systems for education and health care so that the benefits and costs of these systems are more clearly apparent for all system users. I want the government to continue stressing accountability in the management of these very important systems.

The Chair: Thank you very much. We have three minutes per caucus. I'll start with the official opposition.

Mr Hoy: Thank you very much for being with us here today. I took great note of your desire to see a more aggressive debt reduction plan than the \$2 billion put forth by the government over the next four years.

Most people and experts in the field anticipate that the economy will grow for some number of years, barring some unforeseen calamity. So we have perhaps some surpluses in the future, and I guess it's up to the government to decide how best to deal with that.

But you said at one point that you'd like them to use that surplus to tackle the debt and at the same time you would like to see provincial income taxes reduced. As well, it's not mentioned here but I'm sure you know we have a lot of questions and we have a responsibility to address the health care and education problems that loom.

You want them to tackle the debt that has accumulated over the last number of years, which is quite high, yet you ask for more personal income tax cuts. Do you believe that's achievable?

Mr Currie: Yes, because I think what's happening is that with the underground economy, people are doing business under the table and carrying out economic activity that's not being taxed. I think if we backed off on the rates and made things more fair for people, that would more readily come forward and do business above board. I think that the tax cuts would probably stimulate economic growth. In the areas of health and education, there are definitely some changes that could be made in terms of how those services are delivered, making people more aware of what it costs to actually service them and tying the benefits into that.

Mr Hoy: At the end of your presentation you talked about the size of government growing. I actually have constituents I represent and persons outside of my riding talk to me about not being able to access a live voice through the government more often than perhaps you're talking about here. I have a lot of people complain to me that they don't reach someone on the other end of the line when they call a government agency. They have to deal with 1-800 numbers which have rather poor response ratios and they're going through the directory, which

seems to be quite large, trying to find the answer to a question.

The other part is that they go through maybe eight numbers to find what they should be asking for. Then they realize they've got to go through these eight numbers again because none of them seems to match what their question is about.

I don't find that constituents believe that the government has grown in size to a burdensome degree. They find it actually the opposite, that there's no one at the other end of the line.

Mr Currie: I'm an Internet user. I check out the government Web sites. I get a lot of information that way. I love the kiosks for licence services. I think if we could expand those, they would work for me. I find that much more convenient for me. If things were Web-based and the role of the kiosks were expanded, that would work for me for most things.

The Chair: Thank you very much, Mr Hoy. Mr Christopherson.

Mr Christopherson: I pass.

The Chair: Mr Johnson.

Mr Johnson: I was interested in your comments and the issues that you were bringing forward. The first one, just because I happen to agree with you, I guess, is the debt reduction. I'm a little older than you but I remember being in a community that had 21%, 22% and 23% interest rates that had to be paid. It seems to me, if our present debt stayed the same and interest rates doubled or tripled or quadrupled, that we as a government would certainly be in straits, along with a lot of other businesses and individuals who had borrowed money as well. But it was a devastating time for that.

I was wondering, in your recommendation, how long do you think that we should stretch out the debt repayment, or have you looked at it in terms of paying off a mortgage or whatever?

Mr Currie: No, I don't really have a good understanding of how quickly we should pay it off. It's probably not even important that we pay it all off, but we have to get it down from its current levels rather quickly so we're not as vulnerable, as you say.

Mr Johnson: I disagree with you there. I guess if I had my way, we would not only pay it off but we wouldn't want to have it again if we could get away from it.

Mr Currie: I agree with that.

Mr Johnson: But I was thinking, the province of Alberta, for instance, decided they would take their provincial debt, divide it by 25 for 25 years because that seemed to be a realistic amount, and pay it off.

We have pledged in our election program to pay off \$500 million a year over the next four years. I don't think that's enough. At least, if you extrapolated that rate, I think it would take 238 years to pay it off. It would seem to me that's unreasonable when as a family we would usually amortize the mortgage on our house over 25 years, or the payments on our car for three or four or

something like that. That's why I was wondering if you had projected how you felt about that.

Mr Currie: So you would recommend paying about \$5 billion to \$6 billion a year?

Mr Johnson: That to me isn't unreasonable, when you take a look at how long we have to do it or how long we should do it and what it is at the present time.

Mr Currie: It would certainly have clear benefits to reduce the debt—16% of the budget.

The Chair: With that, we have run out of time. On behalf of the committee, thank you very much for driving from Windsor today and making this presentation.

Again, I guess we'll recess until—

Mr Kwinter: Mr Chairman, just as a point of interest, I notice, and it may be just coincidence, that earlier this morning the Labour Council of Chatham-Kent didn't show. We now have the Windsor and District Labour Council not showing so far, and it's after 3:30, when they're supposed to be here. Do you think, given what we heard about the labour situation in this hotel, that they are boycotting this meeting?

The Chair: I don't know. I'm not in a position to make any educated guess here, or wise guess. I have no idea.

Mr Christopherson: I'm not aware of it. I would think there's a good possibility, if that was going to happen, that I would have been tipped off if that's the case.

Mr Kwinter: I just think it's a coincidence that we have the two labour councils who have not shown.

Mr Christopherson: Yes. I don't know. Certainly Earl is one of the most prominent leaders in the area and would have tipped me off, because I mentioned to him that the earlier Chatham labour council wasn't here, and did he know anything about that?

The Chair: I live in the area and I certainly haven't heard anything about it, not that—I would be made aware of it, but I certainly haven't heard anything.

Mr Christopherson: If perchance anyone hears that it is—I can make a call too—I'll be glad to make sure they get a copy of the Hansard where I clarified the situation. But it would seem to me that ordinarily a labour council, if that's the way they felt, would send a very strongly worded letter and make their point, and even maybe have a couple of people picketing out front if they felt that strongly. This is not their normal style, to take up a spot. If they were going to do that, they would flood it with spots and have nobody show up. So I've got to believe it's coincidence. There's lots of ways to make mischief other than just this.

The Chair: Especially from Windsor, I can see where it may be weather-related. The one from Chatham is a little more difficult to understand, but certainly from Windsor—

Mr Christopherson: I'm sure it's just coincidence.

The Chair: I don't know. So we'll wait. We have to be here until 4:15 anyway, until the corn producers show up.

Mr Christopherson: Again, I know Gary really well. I think he would have called me and said, "Hey, what's up?"

Mr Kwinter: Just coincidence.

The Chair: So we'll recess for a few minutes.

The committee recessed from 1538 to 1548.

ONTARIO CORN PRODUCERS' ASSOCIATION

The Chair: If I could get your attention again, we'll bring the committee back to order. We have the 4:15 presenters from the Ontario Corn Producers' Association. Gentlemen, would you please state your names for the record.

Mr Dennis Jack: Dennis Jack from the Ontario Corn Producers' Association.

Mr Brian Doidge: Brian Doidge, from Ridgetown College, the University of Guelph, and I work with the Ontario Corn Producers.

The Chair: On behalf of the committee, welcome. You have 30 minutes for your presentation this afternoon.

Mr Jack: I apologize for reading the brief, but I'll go through it as quickly as I can and hopefully we can have a brief period of time for discussion, if that meets with your approval. I'll try not to cover it all.

I'd like to thank you for the opportunity of making this presentation to you, ladies and gentlemen. The Ontario Corn Producers' Association is a group representing corn producers in the province of Ontario. We have 21,000 members who fund through a voluntary check-off. Ontario Corn Producers' Association is committed to working in a globally competitive environment as part of the North American corn economy, with special attention to corn quality, niche marketing and industrial processing. Livestock continues to be a dominant market for Ontario corn, and the needs of livestock producers—for example, mould-free corn—are priorities.

But the largest growth in demand for Ontario corn in recent years has been for the manufacture of food and industrial products. A world-scale ethanol plant began operations in Chatham in 1997. Construction is expected to begin in 2000 at Port Colborne on one of the world's largest citric acid plant operations. Casco, owned by Corn Products International in Chicago, continues to expand its Ontario plant operations as a global corporate priority, and Ontario corn growers continue to seek better ways of serving these customers. Future market opportunities include both food and non-food products, such as biodegradable plastics.

The Ontario Ministry of Agriculture, Food and Rural Affairs is a vital partner in corn development activities in Ontario, and cutbacks in OMAFRA funding are of serious concern. The elimination of local extension offices and crop extension specialist positions will have detrimental effects. It is important that no further cuts occur in extension and teaching functions, including

those at regional campuses of the University of Guelph such as Ridgetown College.

Support of research must also be a continued priority of the Ontario Ministry of Agriculture, Food and Rural Affairs. In addition, research infrastructure is important. Long-term planning is difficult if the funding base is primarily short-term in nature.

Research and development are top priorities for OCPA. R&D represents one of the most important means of ensuring the success of the Ontario Corn Producers' Association corn strategy. OCPA provides about \$200,000 per year of association funds for direct support of research and is able to lever this money to provide much larger amounts of financial support. In fact, by leveraging other means of financing, that support usually generates between \$3.75 million and \$4 million in research. The funds are targeted to projects which improve our competitive position and are spent so as to complement, and not duplicate, related research activities in the private and public sectors, both in Ontario and in adjacent states and provinces.

OCPA is attempting to increase available funds for public research via a contribution of 50 cents per unit on all corn seed sales in Ontario. This would ensure that all corn growers, except those few requesting a refund of levies, contribute to the support of public corn research in an equitable way. Most seed companies are co-operating with this venture, but a few are not. Encouragement from the government of Ontario for this initiative would be welcomed.

We have a long history of environmental proactivity, being one of the founding forces for the creation of AGCare, the Ontario pesticide certification program, the Ontario Farm Environmental farm planning process, the National Agriculture Environment Committee, and more. We are active in seeking means by which Ontario farmers can help Canada meet its Kyoto obligations for reduction in net greenhouse gas emissions by building soil organic matter levels through reduced tillage and more efficient fertilizer management.

Fuel ethanol represents an excellent means of improving environmental quality. The Ontario Corn Producers' Association is pleased that Sunoco is now using 9.6% ethanol in all gasoline sold in Ontario, and there are many smaller retailers for this environmentally superior product. A recent government of Canada study shows that the use of corn-based ethanol can mean a 39% reduction in net greenhouse gas emissions compared to gasoline. Ethanol also provides the means to eliminate usage of other hazardous gasoline additives, such as benzene, for octane enhancement. The goal should be 10% inclusion in all Ontario gasolines.

Biotechnology is another means for environmental improvement both through the use of fewer pesticides and safer ones. It is critical that Bt technology be allowed to continue to develop as a means of controlling European corn borer insects without pesticide application, while reducing levels of moulds and natural toxins in corn. When a new race of rotation tolerant corn root-

worm enters Ontario in the next few years, rootworm insecticide applications may skyrocket, reversing the 90% reduction achieved between 1983 and 1998, unless Bt technology is allowed to be used as a genetic means for insect control. Soil-applied insecticides for rootworm control are an especially dangerous form of pesticide usage because of their toxicity, longevity in the soil and potential for water contamination.

I'll discuss this next paragraph and then Mr Doidge will explain with his charts.

Because of threats provided by inclement weather and by high subsidy levels for competing grain and oilseed producers in the United States and the European Union, Ontario corn producers can only survive and prosper if they receive equivalent government support in Ontario.

Recent analyses by Brian Doidge, University of Guelph, have shown that the current level of Canada-Ontario support for a corn-soybean-wheat grower in Ontario is only about a third of that for an identical farmer located in Michigan. This is unacceptable, especially given the open border for corn movement between the two countries. Ontario farmers also receive far less government income support than is the case for farmers in most other Canadian provinces, even after accounting for that portion of agriculture which is supply-managed. Correcting the imbalances must be a top goal for the Ontario Minister of Agriculture, Food and Rural Affairs in 2000.

We appreciate the attention which has been given by the Premier of Ontario and the Ontario Minister of Agriculture, Food and Rural Affairs to inequities among provinces in the amount of federal support for agriculture provided by the government of Canada. Statements by the Premier and minister match those which OCPA has voiced for many years. Similar attention would be welcome to inequities which exist between support provided for grain and oilseed producers in Ontario versus adjacent states.

If you'd pick up the coloured charts, Brian will explain those, but I'd like to explain where we're coming from in a fairly interesting fashion, if I could.

I farm in Kent and Lambton county. We farm a little over 1,000 acres. I have a brother-in-law and one term employee. It's a family corporation. Twenty years ago, we undertook to start another farming operation in the southern United States. As a result of that, my brother farms three hours south of Memphis, Tennessee, in the Mississippi delta. He farms 4,000 acres of cropland, growing corn and soybeans, rice and cotton. The support he received from his favourite uncle last year, Uncle Sam, amounted to \$150 per acre for just a little over 4,000 acres. I don't know how your math is, folks, but I think you can figure out that's a significant amount of income that he derived from the US government. That is the competition Ontario farmers are faced with. We can get up as early as anyone else in business, we can work as hard, we can work as smart, but we cannot compete with the coffers of other governments.

Mr Doidge: The kit you have in front of you attempts to demonstrate what's been happening in the last four years, particularly in the United States, concerning direct income support from the government and emergency assistance. We'll get into the pages as we go through.

The coloured bars: The green portion is the amount of income that a farmer would receive from farming—so that's from the market—the red is from direct government payments, and the tan or yellow is emergency assistance that was introduced in 1999. The reason we concentrate on the US is because it's an open border. Grains and oilseeds, in particular corn, flow freely back and forth. In fact, probably one of every five trucks delivering corn to the ethanol plant in Chatham is from Michigan. So we compete directly with these folks and, if they have additional revenues in particular from the government to sustain their operations, that makes it especially hard to do the same thing on this side of the border without government assistance.

You can see that ever since 1996 the amount of money received from the marketplace farm income has been declining. As it has declined, the US government has been increasing direct payments to producers and in fact in 1999 added additional payments. If your eyes are sharp, you'll see that the column in 1999, the portion represented by farm income, is actually less than half of total farm income. Total farm income in the United States in 1999 is going to set a new record despite commodity prices that are as low as they've ever been in history, lower than in the Depression. In fact, direct farm income support in the United States is a record \$8.5 billion.

If you flip the page, you'll see the impact on us. This is a comparison for a 500-acre corn, soybean and wheat farm in Ontario operating under existing income support programs in Ontario, that being market revenue and NISA, and in 1999 the new Ontario whole farm relief program.

You can see that in 1996, farms under Ontario programs received slightly less than C\$20 per acre in income assistance. Under US programs, and that's the solid line, this would be the 1996 freedom-to-farm legislation, commonly known as the US Farm Bill, and the adjustments made in the year 2000 for ag appropriations. In 1996, support under both income support regimes was roughly equivalent. By 1998 it was dramatically out of line, and in 1999 that same farm operating under US programs would have received C\$110 per acre, and in Ontario it received C\$41 per acre. The discrepancy is almost three times.

1600

You might ask, "If the programs were equivalent back in 1996, why isn't the Ontario program acceptable now?" I think you have to step back and realize that all things are relative. Because those trucks come into Chatham, delivering corn to the ethanol plant every day, that's the competition. You're up against that every day. If the income support that one truck from Michigan receives is three times the amount that it is in Ontario, that's an

unacceptable situation. In fact, what was acceptable in 1996, because they were roughly equivalent, is no longer acceptable, and Ontario farmers are falling dramatically behind very quickly.

The last two tables are simply some of the details, which I won't go into, of the farms. We also compared an actual large-acreage farm that's a real farm of 2,996 acres and a small-acreage farm that's a real 464-acre farm. We compared them on both sides of the border, as well as a benchmark or average farm, from a data set that we've maintained since 1992. We can get to income support questions at the end of the presentation, if you have any.

Mr Jack: We'd welcome any questions or comments or the opportunity to discuss any of this with you as we go on.

The Ontario market revenue insurance program created 10 years ago as part of the national gross revenue insurance program has served Ontario grain and oilseed producers well, including those who feed their own grain to livestock.

Market revenue insurance is the most important farm income safety net program for most Ontario grain and oilseed producers. The decision of the Ontario government to maintain market revenue insurance a few years ago, despite short-sighted decisions by prairie governments to end their GRIP programs, with the approval of the government of Canada, is probably the dominant reason why Ontario grain and oilseed farmers have not, to date, joined their western counterparts in public demonstrations about current low prices, though this could change in coming months.

A top priority is the maintenance of this program at least until the millennium round of trade negotiations establishes more stringent rules on the US and EU subsidy programs, or until current US production-and-price-distorting grain and oilseed income supporting programs end. Neither is expected to occur soon. Though we appreciate the recent federal decision to extend its support of market revenue insurance through 2000-01, this is insufficient. A longer-term commitment is needed.

In addition, there is need to enhance the support provided through market revenue insurance in order to reduce the gap between support levels provided for Ontario grain and oilseed farmers and those with whom we must compete in adjacent states.

Mechanisms for enhancing the support provided by market revenue insurance and levelling the playing field include eliminating the one-third "premium" deduction from payouts, increasing the support level from the present 85% level to 90% of historic average prices and farm yields, or both.

It is critical to ensure that the market revenue fund receives sufficient money to meet expected payout needs. Annual government contributions need to be increased above recent levels, which are typically less than 20% of amounts provided for MRI support during the early 1990s.

Crop insurance is the second most important program for Ontario grain and oilseed producers after market

revenue insurance. We're pleased that corn crop insurance coverage was more than one million acres in 1999 for the first time in history, thanks to better programs and good marketing, but the participation level is still insufficient. The goal should be at least 75% of acreage enrolled versus about 50% as at present.

One major problem with crop insurance for full-time commercial field crop producers is that lack of recognition given to those who farm larger acreages. Premium discounts are needed to reflect the reduced risk associated with the inherent self-insurance which exists when crop acreage is spread over larger distances. In addition, the pilot optional unit coverage program introduced in 1999 needs to be continued in 2000, with a view to making the program permanent in 2001.

This is an issue of fairness and equity and also of recognizing the need to provide adequate economic stability in rural Ontario communities. Memories will long persist of the economic calamity which occurred because of a widespread weather-related crop disaster in 1992. I think Mr Hoy may have been a member of the Crop Insurance Commission back at that time. If so, I imagine he has some very vivid memories of the problems that were occurring at that time.

NISA is an excellent program designed to address normal year-to-year variations in farm income. It should be maintained as presently structured, including the enhancements which exist to address particular Ontario needs, perhaps with some attention given to means to further facilitate payouts during times of financial need. NISA, however, was not designed to address unique situations where need levels can be large and acute. This is why crop insurance exists. Ontario's market revenue insurance program, part of the national GRIP program, was created at the same time as NISA and as a complement to NISA and crop insurance to address the special needs of Canadian grain and oilseed farmers weathering the economic effects of high-subsidy programs for grain and oilseed producers in the United States and Western Europe. This is why market revenue insurance is still needed.

There is a need for a provincial or national disaster relief program to address highly unusual circumstances. However, disaster relief should not be used as a substitute for adequate statutory programs designed to address foreseeable needs and hazards. Perhaps too much attention has been paid over the past 16 months to disaster assistance program design. Too little has been paid to the need for and design of sustainable programs designed to minimize the need for disaster assistance. Disaster relief should not be the focal point of future safety net program design.

Corn producers deal with a large number of other issues. If you're interested in any of the pertinent information, I can assure you that we'd be glad to send you a copy of the magazine, or you can access that information at our Web site. The address is on the printed page.

The board of directors of the Ontario Corn Producers' Association expresses appreciation for this opportunity to

address issues of importance to you, and we thank you very much. We welcome and will try to respond to any questions raised from our presentation. I understand there were some other discussions and comments this morning about ethanol and other issues dealing with corn.

The Chair: Thank you very much for your presentation. We have four minutes per caucus.

Mr Christopherson: Thank you for your presentation. Just so I understand the structure, are you part of the Ontario Federation of Agriculture? Is that an umbrella group that you're a part of, or are you a stand-alone umbrella group?

Mr Jack: We have membership in the Ontario Federation of Agriculture as one of the commodity groups that are involved with OFA. We tend to believe that the most widely respected voice for agriculture might at this time come from the Ontario Agricultural Commodity Council, which is a group formed of the chairs of all the different commodity groups in the province.

Mr Christopherson: That's separate and apart from the OFA?

Mr Jack: That's correct.

Mr Christopherson: They made an excellent presentation. It was well received.

I wanted to ask you to flesh out for me the whole issue on page 4 about the trade talks, the millennium round of trade negotiations. I don't know nearly as much about this as I'd like to and probably should. The talks are, again, under the umbrella of WTO, and these are stand-alone discussions that happen regarding agriculture? I see one of you shaking your head no.

Mr Doidge: No. Agriculture is one of the tables under the umbrella of the World Trade Organization. There are multiple tables, including intellectual rights, culture, all that kind of thing.

Mr Christopherson: In the last couple of years there was a flurry of information in the papers about which governments were interested in lowering barriers and which ones weren't. As I understand it—again, please help me get through this—the US were the ones that didn't want to talk about lowering any kind of barriers because of the fact that they provided so much subsidy to their growers. Is that correct?

1610

Mr Doidge: I would say there are two culprits at that table. One is the European Union and the other is the United States.

The European Union has a very sheltered agricultural regime, very high tariff barriers, very high price of food within the European Union. The European Union has food costs that are roughly 30% of individual income. In the United States and in Canada it's around 11%. So food prices are very high in Europe. They have a high value-added tax coming in, so any imports are highly taxed and used to subsidize not only production but also the dumping of surplus product onto world markets. A particular concern to us is the dumping of beef or butter or, in our case, grains and oilseeds, which dramatically depresses

world grain prices and causes the kind of terrible fall in net farm income that you see.

Mr Christopherson: We saw the problem with dumping with the Russian steel, where they were doing serious dumping and it was hurting our end from Hamilton. So I'll be aware of that, and then the high tariffs, similar to what the Japanese have done for decades with regard to their auto industry, where it's easy for them to export things out, very difficult for anybody else to import in.

Do you see any of that changing in terms of seeds and grain over the next while, during these rounds? I notice that you said, or at least you gave the impression, that you think there might be or you look forward to them. Do you think things are going to change there? Have the Americans shifted? Have the politics around it shifted? Because that's really where it's at.

Mr Doidge: No.

Mr Jack: It's an election year in the US.

Mr Christopherson: Yes, exactly.

Mr Doidge: And the fact that the Seattle round broke up early, it in fact could not achieve agreement on agriculture. Agriculture is what blew it apart. The European Union is not willing to increase import access, reduce tariffs, reduce subsidies and, in particular, support for their farmers for things not directly related to agriculture, which they were referring to as multi-functionality supports. In other words, they would support small picturesque farms on a mountainside in Norway or Switzerland because they increased tourism. Income support, for example, in Switzerland or in Norway is over US\$33,000 per farm compared to, in Canada as a whole, less than US\$7,000. The United States, by the way, is US\$19,000, and Europe as a whole is US\$19,000. So Canada is not a culprit when it comes to subsidization.

Under the WTO round, the previous round that concluded, we were all supposed to meet caps and reduce income support spending and subsidies to a certain level in part of the agreement. The United States, because of this additional spending in 1999, exceeded their cap. Their cap was \$19.5 billion; it's now at \$22.5 billion. Rest assured Canada is not in danger of exceeding our target.

Mr Johnson: I had a couple of things. First, I wanted to correct the statement about the cutbacks. The last figure I saw for the Ministry of Agriculture in the provincial budget was that it has been increasing and indeed was higher this past year than the year before, and it was higher that year than it was before that.

I understand about the subsidies in Europe; I understand that half their budget is agricultural subsidies. But what I want to know is, when that truckload of corn drives into the ethanol plant in Ontario, why are they not being charged with dumping if the United States subsidies are that much higher? In any other product, they would be charged with dumping, or they could be. Why aren't we doing that?

Mr Doidge: I think it's a political question. There was a countervailing duty imposed on imports of US corn at

the behest of the Ontario Corn Producers as one of the litigants from about 1986 through 1991. That imposed a tariff, because of similar subsidy programs in the United States on imports of corn, of about 45 cents a bushel at that time. It was allowed to lapse, and it takes a lot of money to fight that and reimpose the thing. Under existing NAFTA agreements and WTO commitments too, it would be highly improbable that we would be able to get a countervailing duty re-imposed.

Mr Johnson: It seems to me the Americans are doing it with bananas from Nicaragua and Central America. Why are we allowing them to, if you like, run over us that way? What I'm saying is that as a Canadian I don't see myself subsidizing our farmers to the extent that they are in the United States so that we can play that game of catch-up to the Europeans who are spending half their budget on it. It seems to me that yes, you're at a disadvantage as corn producers, but there has to be a better way than just subsidizing it more.

Mr Doidge: I suggest to you, Mr Johnson, that if you don't support Canadian agriculture, and Ontario agriculture in particular, you won't have to worry about it; it won't be around.

Mr Johnson: I understand that, but my point is that we cannot afford to just keep playing that game. It seems to me there has to be another game or different rules put into it.

Mr Doidge: I agree. The trouble is, though, you're at a poker table with the players from the European Union and the United States, and what's happened is they've upped the ante, and we either play the game or we fold our hands and close shop.

Mr Jack: One of the lessons that I learned as a young lad going to school was never pick on the biggest, meanest guy in the class. The Americans and the Europeans are formidable opponents, and I don't think we're going to beat them at their own game.

You've got to understand that the programs that the US have instituted are GATT-green and trade-neutral and were developed in the US in their blue box. I say that with tongue-in-cheek, because I think we could probably prove differently, but they developed a program specifically to put the hurt on the competition, if I can put it in those plain terms. And it's working remarkably well right now. I would suggest that a number of my colleagues in agriculture aren't doing that well, including myself.

We can fight the battle with Mother Nature—sometimes we win and sometimes we lose. I can win or lose that battle depending on how I play my cards, but I can't beat what the US does. I know I may be dressed up nicely and here making a presentation to you, but may I assure you that I understand how the ethanol plant works, and if you want to get your truck with corn unloaded, the best time of the day to be there is at 5:30 in the morning, and I've been there a number of times so I am a hands-on farmer. This is part of what we do.

I understand the point you're making, and it is a valid argument. I guess one of the things we're supposed to do when we identify a problem is propose a solution. That's

a very difficult thing to do, and we really don't have a total solution other than maintaining the support programs we have and enhancing them until they tire of the game they're playing. Eventually they will. The US public, I don't believe, can be willing to spend these dollars forever, but bear in mind that it is an election year in the US, and I wouldn't see that the US support will wane this year.

The program that they developed in the US was supposed to ratchet down over a period of seven years. In fact, last year the support they received was two-years-in-one support; the year before it was a year-and-a-half. That's the game they're playing. They keep moving ahead. Someday it's got to end, but when is the question.

The Chair: Thank you very much. The official opposition.

Mr Hoy: Thank you for your presentation, and I hope we can have a continued dialogue about this over time, although we won't have enough minutes today to discuss it. I do support you, and I hope the government will quickly, on the issues here, certainly around the safety nets which need implementation immediately, and on-going issues such as disaster relief and seeing that that program, if producers want it, is looking less ad hoc than it is now. There tend to be inequities when ad hoc programs come in and they need refining from time to time.

You opened up, other than the facts about the OCPA, with a reference to the extension offices. I've had a lot of comment about ag office closures. I hope that the OCPA will put some pressure on the government to maintain those offices on behalf of producers.

It was interesting. I asked to look back at a report that was put together in a final report by Terry Daynard who works for your organization, and Frank Ingratta who is the deputy minister, and in their report they stated, "We recommend that the OMFRA retain at least the same number of field offices as at present."

So there seems to be either a lack of influence or a change of mind with the deputy minister, at least on that report which suggested that we maintain those. I hope you would speak to the deputy and the minister about it, and if need be, the Premier, because I'm not sure if the deputy had this view as to who was making the decisions within OMAFRA and who was discarding his wisdom.

Biotechnology is becoming a better-known technology among the community at large. There has been a lot of talk about biotechnology. Would you agree with me that all governments, and since I work within the provincial government sphere of things, that the provincial government could do more to accentuate the positives of genetically modified organisms or whatever other terms people have used? Do you think there is a role for them to come forward and say that these are positive technologies? It seems to me that people don't criticize biotechnology when it's a health issue, ingested into one's body either through the bloodstream or taken in pill form or whatever, but when we have biotechnology in our food chain, people seem to get quite nervous. My question is, do you think the provincial government should step forward and

promote more aggressively the biotechnological advantages that exist?

Mr Jack: It might be helpful. The executives of the Ontario Corn Producers' Association have obviously talked to other elected officials. We had a meeting not too long ago with Ernie Hardeman and the deputies. That issue came up, and we dealt with it at some length. Any support that we have would be useful in the long term.

The whole issue of biotechnology has become an emotional issue. It's not an issue that deals with science or facts. My assessment of how biotechnology works is that it is another tool in the toolbox of agriculture and industry for the long term. The problems that we hear expressed and the concerns about biotechnology really stem from a regulatory process in Great Britain that failed the consuming public there and a bureaucracy that let them down. Then we get into the Greenpeaces, Sierra Club of Canada, clubs of the world that are taking issue with biotechnology. If you'll pardon me, it's the latest yuppie, trendy, causey thing. It's the battle of the day. If there isn't a crisis for us to rally around, someone seems to generate a crisis.

We are very involved in supporting biotech as that other tool. I don't wish to sound cynical but the whole discussion about biotechnology now, while it is an emotional issue that deals with all these areas of interest,

has got to the point where we're concerned about who can increase market share and profitability. Do you suppose McCain's opposed the use of BT potatoes because it was a serious health issue? We deep-fry all those potatoes in oil. I'm sure that's more of a health issue than the BT potatoes. Or is it perhaps because McCain's has one major competitor in that industry, and they are owned by another family, called Irving. I think they're in a fairly life-and-death battle for market share and profitability.

It seems to me that the consuming public is led down the path and led to believe what they will believe, but a lot of the things that are stated are not really based on science but, rather, on emotion. So yes, any clear, reasonable arguments would be useful in the future.

I'm sorry for the long-winded roundabout, but I just love to preach that little sermon.

The Chair: On behalf of the committee, thank you very much for your presentation this afternoon. We've run out of time. All good things must come to an end.

I have a couple of short announcements. The bus leaves at 4:45. Supper will be served on board. It may not be a gourmet meal tonight, but it will be served.

The committee reconvenes tomorrow morning at 8:45 in Niagara Falls.

The committee adjourned at 1625.

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Chair / Président

Mr Marcel Beaubien (Lambton-Kent-Middlesex PC)

Vice-Chair / Vice-Président

Mr Doug Galt (Northumberland PC)

Mr Ted Arnott (Waterloo-Wellington PC)

Mr Marcel Beaubien (Lambton-Kent-Middlesex PC)

Mr David Christopherson (Hamilton West / -Ouest ND)

Mr Doug Galt (Northumberland PC)

Mr Monte Kwinter (York Centre / -Centre L)

Mrs Tina R. Molinari (Thornhill PC)

Mr Gerry Phillips (Scarborough-Agincourt L)

Substitutions / Membres remplaçants

Mr Pat Hoy (Chatham-Kent Essex L)

Mr Bert Johnson (Perth-Middlesex PC)

Clerk / Greffier

Mr Tom Prins

Staff / Personnel

Mr David Rampersad, research officer,
Research and Information Services

CONTENTS

Monday 14 February 2000

Pre-budget consultations	F-395
Chatham and District Chamber of Commerce	F-395
Mr Ralph Robinson	
Ms Gail Antaya	
Mr Reg MacDonald	
Municipality of Leamington	
Mr Dave Wilkinson	F-399
Sarnia Lambton Chamber of Commerce	F-402
Mr Gus Mumby	
Mr Michael Van Pelt	
Ontario Secondary School Teachers' Federation, district 10	F-408
Ms Jane Hulme	
CAW Child Care Services	F-412
Ms Heather Boyer	
Mr Earl Dugal	
Ms Anne DiCecco	F-416
Dr Peter Neilson	F-420
Elementary Teachers' Federation of Ontario, Thames Valley local	F-422
Ms Marion Holgate	
Mr John Stevens	
Alliance of Canadian Second Stage Housing (Ontario Caucus)	F-427
Ms Shelley Yeo	
Ms Donna Hansen	
Ms Ruth Hyatt	
City of London	F-431
Ms Dianne Haskett	
Mr Don Currie	F-437
Ontario Corn Producers' Association	F-439
Mr Dennis Jack	
Mr Brian Doidge	



**Legislative Assembly
of Ontario**

First Session, 37th Parliament

**Assemblée législative
de l'Ontario**

Première session, 37^e législature

**Official Report
of Debates
(Hansard)**

Tuesday 15 February 2000

**Journal
des débats
(Hansard)**

Mardi 15 février 2000

**Standing committee on
finance and economic affairs**

Pre-budget consultations

**Comité permanent des finances
et des affaires économiques**

Consultations prébudgétaires



Hansard on the Internet

Hansard and other documents of the Legislative Assembly can be on your personal computer within hours after each sitting. The address is:

<http://www.ontla.on.ca/>

Index inquiries

Reference to a cumulative index of previous issues may be obtained by calling the Hansard Reporting Service indexing staff at 416-325-7410 or 325-3708.

Copies of Hansard

Information regarding purchase of copies of Hansard may be obtained from Publications Ontario, Management Board Secretariat, 50 Grosvenor Street, Toronto, Ontario, M7A 1N8. Phone 416-326-5310, 326-5311 or toll-free 1-800-668-9938.

Le Journal des débats sur Internet

L'adresse pour faire paraître sur votre ordinateur personnel le Journal et d'autres documents de l'Assemblée législative en quelques heures seulement après la séance est :

Renseignements sur l'index

Adressez vos questions portant sur des numéros précédents du Journal des débats au personnel de l'index, qui vous fourniront des références aux pages dans l'index cumulatif, en composant le 416-325-7410 ou le 325-3708.

Exemplaires du Journal

Pour des exemplaires, veuillez prendre contact avec Publications Ontario, Secrétariat du Conseil de gestion, 50 rue Grosvenor, Toronto (Ontario) M7A 1N8. Par téléphone : 416-326-5310, 326-5311, ou sans frais : 1-800-668-9938.



LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
FINANCE AND ECONOMIC AFFAIRSCOMITÉ PERMANENT DES FINANCES
ET DES AFFAIRES ÉCONOMIQUES

Tuesday 15 February 2000

Mardi 15 février 2000

The committee met at 0850 in Renaissance Fallsview Hotel, Niagara Falls.

PRE-BUDGET CONSULTATIONS

PROVINCIAL COUNCIL
OF WOMEN OF ONTARIO

NIAGARA SARC NETWORK

The Chair (Mr Marcel Beaubien): I'd like to bring the committee to order this morning. Good morning everyone. It would appear that Mr Mike Allan has not appeared yet. Consequently, we'll go to our second presenter this morning, the representative from the Niagara SARC Network. Could you please state your name for the record.

Ms Gracia Janes: My name is Gracia Janes. I am presenting two briefs. I'm the chair of the Niagara SARC Network, and have been for 12 years. I'm also the incoming president of the Provincial Council of Women of Ontario. I'm going to split my time, if you don't mind, between the two presentations.

The Chair: On behalf of the committee, welcome. You have 30 minutes for your presentations this morning.

Ms Janes: Thank you very much. I'll deliver my brief from the Provincial Council of Women of Ontario first. This was prepared by myself and the vice-president of community services, environment, economics and housing.

Founded in 1923, the Provincial Council of Women of Ontario represents hundreds of thousands of citizens and a broad diversity of interests within its affiliated groups, namely, local councils and provincially organized societies. The local councils, some established as early as 1894 and comprised of a broad range of affiliates, are found in the major urban centres of London, Ottawa, Toronto, St Catharines, Hamilton and Windsor. The POSs number 11 and represent groups as diverse as the Business and Professional Women's Clubs of Ontario, the Ontario Farm Women's Network and the Salvation Army, Ontario central division.

Council policy is developed through a democratic and extensive resolution process and, once approved, becomes the basis of PCWO's dialogue with the government and the broader public. In this regard, PCWO has an extensive history of speaking to all public issues

as they relate to the good of society and the family, using the precautionary principle, and with a view to the best interests of present and future citizens of Ontario.

As well, we are bound by national and international council policy and therefore we look to the very much wider public good. It is within these parameters that the PCWO speaks today on the issues before us regarding public social infrastructure expenditures, ie, for the public good.

Investment in long-term returns has always been considered basic common sense. Failure to do so brings greater long-term costs, ie, if one's roof needs repairs this year and one does not do it, the damage will be greater and more costly down the road. We consider that the social structure of Ontario needs investment in some areas and repair in others, or we will have greater costs in the long term.

Investing in children: One example of far-sighted investment, which we commend highly, is that planned by the government for early child development, in co-operation with all sectors. This investment should bring excellent long-term benefits. Nevertheless, as the government's own Early Years Study points out, many in our province find it difficult to provide the proper nurturing and stimulating environment for their children, because they are not getting enough to eat and they are wondering whether they will be evicted from their homes.

PCWO feels that this difficult situation is caused, for those on social assistance, by inadequate social assistance benefits. Recipients should not have to choose between paying the rent and feeding the kids. As we have done before, we urge you to improve your social assistance rates in order to avoid heavy long-term costs in terms of health, social dysfunction and delinquency, and to make investments in the nurturing and education of children and the stability of the home environment.

Child care: Child care is essential to the 70% of mothers who are in the paid workforce and it is in desperately short supply. Many mothers cannot get off welfare, even though a job is waiting, because no suitable child care space is available. We urge you to reverse your reduction in funding child care, which has placed an additional burden on the municipalities and the families who need that child care.

While many mothers use informal care, some of which is first-rate and others not, studies have shown that children and parents do better with children in quality

child care. Therefore, we urge you to fund more such spaces. As well, some mothers would like to have child care in the workplace and some employers have responded to this need. We encourage you to work with employers to provide more such facilities, perhaps with tax incentives.

Another idea to consider is job-sharing. When both parents are working part-time, the need for child care is much reduced, if not eliminated. There is also greater flexibility for workers to take retraining and upgrading courses that contribute to the maintenance of a workforce geared to make use of the latest technology and changes in product demand. The initial cost to employers of providing benefit packages for two sets of workers is recuperated from better-trained workers.

Housing: In the current booming economy, vacancy rates are low, affordable rental housing is scarce, private investors are not building affordable housing and economic evictions have increased. Tragically, many families end up in shelters, a terrible environment for children. Therefore, we urge you to increase the shelter component of social assistance benefits so that parents can avoid ending up in a downward spiral to homelessness.

In the case of the working poor, we consider a return to funding social housing, in co-operation with other levels of government, to be the best long-term investment, rather than shelter allowances which could prove to be a bottomless pit. Additionally, we urge you not to try to balance the budget in part by selling off scattered provincially owned houses, which offer desperately needed rent-to-income housing. Rather, transfer them to the municipalities, which you have made responsible for social housing.

We commend the government for making some initial investments to reduce homelessness. In addition, we urge you to move further in providing more supportive housing, harm reduction programs and supportive efforts for those with addiction problems, as well as finding solutions to the growing problem of youth on the street, which can have long-term and expensive consequences.

Investments in jobs, training and supports: We are pleased that the vibrant economy has meant that many workers have left welfare and many now move directly from EI to jobs. This means that those left on welfare have more barriers to finding jobs. Therefore, these clients require more work by the municipal social service departments, to find them the right training, education and supports so they may successfully achieve a transition to work. We urge you to reward municipalities for their success in moving clients into jobs and on to the provincial tax rolls, rather than penalizing them for failing to meet unrealistic community placement targets.

In the same way, PCWO urges the government to consider the advantages of allocating funding to programs that result in long-term return of funding that exceeds their original investment. One such initiative would be training programs that are organized in many units of small size and specific detailed curricula and which provide knowledge and skills that are in demand

by employers and are flexible enough to respond to changes in demand. Those given this type of help will be valuable taxpaying citizens for a long time.

We would also urge the government to consider the problems of the many hard-working people who have moved from welfare to work in a minimum wage economy and find their situation precarious because of a lack of discretionary benefits previously provided to the working poor, such as drug cards. The Trillium plan requires upfront money which they do not have. Because of this, many may end up back on welfare and we urge you to reinvest in discretionary benefits for this hard-working group.

Health: In tune with most citizens of Ontario, health remains a significant priority for PCWO. It is obvious that, despite some government reinvestments recently to stem the most current and obvious problems, the substantive cuts to health funding early on, combined with a growing and aging population, have led to a crisis in service delivery. This may well jeopardize the future of health care in Ontario and lead ultimately to a two-tier, privatized service delivery model. Rather than allow this unfortunate result, PCWO urges the government once more to invest in long-term preventive solutions, such as quality health care within the system, funding of community care, increased numbers of nurses, avoidance of premature hospital discharges, funding and standards for home care and an adequate number of acute, long-term-care and ALC, alternative-level-of-care, beds.

Environment: In the interests of public health and safety, PCWO environment policy has long advocated strict environmental regulation, monitoring and enforcement and investments in safer, more sustainable renewable energy. Therefore, we are drawing attention to three current issues of critical importance, where investments could be made to improve the environment and reduce long-term costs to the citizens of Ontario, ie, improvements in the monitoring and enforcement of environmental statutes and regulations, the phase-out of coal as an electricity source and the eventual phase-out of nuclear power—starting with the final closure of the Pickering A and Bruce A nuclear plants—all with a view to reinvestment of savings in renewable energy sources.

0900

We recommend these investments in light of our knowledge that extensive cutbacks to the Ministry of the Environment's operating budget have seriously undermined the monitoring and enforcement that district and regional offices can deliver and the quality of our environment suffers. The use of coal has resulted in significant decline in air quality, an increase in health risks, and incidents in high-risk populations such as children, and has undermined the province's efforts to contribute to Canada's Kyoto commitment; and the use of nuclear has left the citizens of Ontario with an enormous and growing debt and a significant environmental risk.

In the case of coal, we would recommend a two-year phase-out, in favour of more inexpensive, indigenous Ontario sources such as renewables and gas. We draw

your attention to the uncounted health and environmental costs and to the costs of importing coal. As well, promotion of renewables will stimulate small business in Ontario and help create leading-edge technologies for export around the world.

With regard to nuclear power, the 1997 shutdown of the Pickering A and Bruce A nuclear stations was due to documented serious deficiencies and dangers in operation. Pickering residents have demanded a complete environmental assessment before the start-up of Pickering A. Plant upgrades have cost millions more for taxpayers and the extraordinary cost of waste management has recently been added to the picture, with the producers of waste having to pay for their disposal. No matter who owns the nuclear plants in the future, the costs of waste disposal and the debt incurred by investment in this technology will have to be paid by the taxpayer, either through our taxes or our hydro costs. The costs of any further investment in nuclear could be better put towards renewable energy sources.

Education: Council is on record as supporting the funding of kindergarten and separating social assistance payments from OSAP loans so that eligible women can receive both in order that they may be encouraged to continue their education without incurring such heavy debt. This is especially important for low-income women on assistance in a time when the tuition fees for colleges and universities have risen substantially.

We have also expressed concerns in our annual 1999 brief to government regarding the controversies centred around the crucial issues of class size, increased teaching time load, reduced supports for special needs students, the one-size-fits-all funding formula and the need for investment in community support programs for children, eg, breakfast programs and after-school care in school.

In conclusion, the Provincial Council of Women of Ontario again asks for a significant investment in our children and their families in areas such as early years programs, child care, income adequacy, jobs, social housing, the health delivery system and our environment. Only by investing in what is good for the lives of the citizens of Ontario may we avoid a deterioration in all of these areas of the common good and, instead, look forward to a sustainable future.

I'll move right into my other presentation, if you don't mind. They're somewhat similar.

This is a presentation to the standing committee on finance and economic affairs from the Niagara SARC Network, a coalition of individuals, community groups and agencies, such as the Niagara South Social Safety Network and the St Catharines and District Council of Women, who have monitored welfare changes since 1988 and advocated for change in the spirit of the reforms of the 1998 Social Assistance Reform Commission of Judge George Thomson. That's what the SARC stands for, Social Assistance Reform and we've been at it that long.

Given the booming economy in Ontario, the Niagara SARC Network believes the government of Ontario

should now make a significant investment in the poorest people, ie, those citizens who, through no fault of their own, require social assistance or are among the working poor.

Failing this, their living conditions and quality of life will continue to deteriorate. The government will not capitalize on their long-term potential and willingness to contribute to the economy and society, and we will all have to pay for the unnecessary and substantive social deficit in the very near future.

Children are important. The canaries are the poor children who live in extremely difficult conditions in this very prosperous province. While most of us have continued to enjoy a very decent lifestyle, poor children and their families have lost ground. This has come about as a result of a substantive 21.6% reduction in welfare benefits, an abandonment of investments in social housing, the tightening of rules to disallow the working poor and to force people off welfare into low-paying jobs which fail to adequately support them, the clawback of the child tax benefit, and the cuts to many community and municipal support services, for example, discretionary services.

Approximately one in five children in Canada lives in a poor family, one in three in Toronto is poor, and over 48% of those on social assistance in Ontario are children. It is well documented that children who are poor suffer much more from illness and suicide, the related costs of which can only continue to grow in the years ahead.

These seem obvious outcomes of going hungry and perhaps having more than one move in a year, or living in unsafe, inappropriate housing—motels—or being raised by parents who are tired, hungry and stressed from trying to make meagre ends meet.

Such living conditions are worsened by the social stigma of not being able to participate fully in their school and community life and by having their school-mates know they are poor. For to be a poor child on social assistance in Ontario is by default to be stigmatized as part of a family who could be cheating Ontarians out of tax dollars, even though less than 1% are ever proven to cheat.

To be such a child is to be at risk of having one's parents cut off welfare forever. For some of us in the social advocacy field, even one child suffering in this way is too many, and for many Ontario citizens there is a sense of disquiet.

The adequacy of benefits will stem the poverty tide and prevent ever-escalating health and social costs. At the bottom of the disturbing trend to ever-deepening levels of poverty is the obvious inadequacy of welfare benefits. It is said that Ontario benefits remain, on average, 10% higher than the benefits of the other nine provinces. This avoids the issue that the benefits are inadequate across the country and that in Ontario, despite our productive economy, we do not give enough assistance to adequately feed and house people, much less pay for things most people would agree are essential, such as transportation, phone, and unexpected costs.

A recent regional document, *Impact of Nutritious Food Basket Survey and Impact on Ontario Works Participants and Low Income Earners*, takes a conservative look at the costs of a healthy diet and finds that for those on assistance:

"At the beginning of a given month, after food and shelter is paid, single adults on social assistance can expect to be in a deficit situation, assuming adequate dollars are spent on healthy foods.... It is evident, from the attached samples, that current provincially mandated social assistance rates are inadequate when a Nutritional Food Basket budget is used by low-income individuals and families and the basic necessities of daily living are considered."

People are in a Catch-22 situation. If they buy a nutritious meal—and this is not extravagant, being only \$22 per week per adult and \$19 per child—they may have difficulty paying the rent. If they pay market rents, which in Niagara range on average from \$425 for a single person, who gets approximately \$571, with tax rebates, to \$725 for a family of four, who receive \$1,475.94, with tax rebates, they will have paid over 50% of income in rent—74% for singles—and have little left for nutritious food, clothing and other necessities. In fact, the single person is in a deficit position of \$13.63 and has no money for transportation, phone etc. If one excludes the tax credits, he or she is in a deficit position of \$64.69. Without the tax credit, the family has only \$45 extra for transportation and other costs.

It is also often asserted that people on assistance may earn back the difference in the 1995 cut. This does not account for the single parents of children under school age and avoids an obvious chicken-and-egg scenario. For instance, in the case of a single person, how can they find a job easily with no money for phone or transportation, much less emergencies? For single parents, how do they cope if sickness hits? There is no security of person or family, and this feeds into any existing health or mental health problems, creating an even more desperate situation.

An additional problem lies in the fact that those on assistance nowadays are those who need far more support than in the past before they are able to enter the workforce. They are not on the top of an employer's list to hire.

These facts beg the question: Why won't the province invest in adequate rates when such an investment will help people find and keep adequate, affordable housing, avoid food banks, get jobs, pay taxes, move money into local economies and prevent a growing social and health deficit?

Jobs, training and community supports do lead to long-term jobs. Key to the welfare of many families is having a good job. Here in Niagara, the economy has had its share of bad times, due mainly to the severe downsizing of GM and related jobs. Today, with the economy on an upturn, our unemployment rate in Niagara, at 7%, is higher than both the provincial rate and the national

rate, and we have the eighth-highest unemployment rate—next to Saint John, New Brunswick—in Canada.

0910

Recent job cuts at GM and related industries probably account for this, and it means we have not yet recovered as well as most other cities. Also, many of the laid-off workers are older and find it more difficult to find employment that pays as well. We have many immigrants who, while skilled, cannot easily overcome technical barriers to employment in their trade.

It appears also that some workers are underemployed and may have given up looking for work. This is reflected by the participation rate, which at 60.4% lags behind Ontario at 65.9% and Canada at 64.8%. All of these are much lower participation rates than in the 1960s and 1970s.

Despite the recent upturn in the economy, there are a substantive number of low-paying part-time jobs in Niagara. An additional difficulty faced by workers who are laid off is the reduction in the EI payments, the much shortened payout period, and the difficulties in qualifying. This all means there are many people struggling to make ends meet. Prior to 1995, these families could benefit from social assistance supports such as drug cards and a top-up to their paycheques. Now the tightened eligibility rules have shut them out, and it is difficult for the region to assist, given its downloaded responsibilities.

For those still on social assistance, there are multiple barriers to employment, such as lack of experience and education. In addition, many lack cars, a necessity in an area where inter-city transportation is almost non-existent.

Prior to 1995, the regional community services department had a very good track record of job placement, even in the down years of 1990 and 1991. Today, in contrast to the temp-job-type agencies which provide short-term jobs and get tax dollars for the assistance money saved, the regional community services department is working hard to provide clients with the individualized, sometimes longer-term supports that are needed to move them into real jobs. In this, they are fortunate that in Niagara we have many community agencies with a long tradition and good track record of pre-employment support programs; for example, the Employment Help Centre, the YWCA, and Port Cares.

On the other hand, the Ontario Works community placement targets are unrealistic and the placements short-term in nature. More important, most community agencies are unwilling to supervise people who have to work for their welfare. As private placements are coming on line, public money is just subsidizing jobs that the private sector should and would create in the course of business. In this context, it would seem to make sense for the government to invest in employment supports provided by the region and community agencies at an individualized level. This way, having been better educated in a job-specific way and linked to employers who have certain needs—for example, tourism and small business—people may move into long-term jobs. A

further wise investment would be to support the cost of transition to employment, ie, to support those who get a job so that they may keep it. Enhanced health and social services save money in the long run.

As stated in the regional document COM 68-99 in Niagara:

"There has been a significant increase in the sole-support parent caseload, as the FBA clients have transferred over to Ontario Works. There are now 4,800 sole-support parent families with 7,000 children in receipt of assistance...."

"Sole-support families require a combination of supports, in order to become independent of the welfare system, for example, accessible and affordable child care, transportation, job referrals, educational upgrading, employment experience, and job preparation courses."

Along with an increase in staff and other new supports for this caseload, the regional staff looked into the internationally recognized work of Dr Gina Browne of McMaster University, which provided strong evidence that "Providing additional health and social services to mothers of social assistance families and making quality child care and recreation services available pays for itself in a relatively short time and produces more permanent beneficial outcomes in families at risk."

Regional staff concluded that, "The foregoing findings indicate that positive outcomes may be achieved for sole-support parents and their children by providing increased health and social services. By providing increased health and social services, families do better in the short term and in the long term the number of exits from the social assistance system are increased. In addition, these interventions produce beneficial outcomes for families at risk."

It is clear that such investments would benefit many sole-support parent families across Ontario and help people into the workforce for the long term.

We note that child care is often a key support for sole-support parents. In Niagara, the switchover of parents from FBA to Ontario Works has resulted in a waiting list, and parents would prefer to have their children in quality child care. The recent provincial disinvestment in child care means the region must take on yet another expense if they wish to support parents adequately and help them into the job market.

Housing helps everyone: Investment and housing benefit everyone—the poor, the working poor, the builder, the community and the general economy.

Just prior to 1995, social housing starts were on the upswing in Niagara, with many builders benefiting from turnkey arrangements whereby they had the help of provincial investments in building affordable units and then turned these over to the non-profit and co-operative boards to operate. Supportive housing was moving forward, and social assistance adequacy meant that more people could find and maintain housing for longer periods.

Unfortunately, just as the federal government withdrew from most of its commitments to housing, the

provincial government halted all planned new non-profit housing units, and there has been little action by the private sector to fill the gap.

As well, the Tenant Protection Act has allowed more conversions of affordable apartments to condominiums and for landlords to raise rents to market levels when tenants move out. Most recently, there is a fear that the Ontario Housing units may be sold, further reducing the affordable housing stock.

The 1995 cuts to the maximum shelter allowance for social assistance recipients have exacerbated this extremely difficult situation. As we have noted above, most poor people are paying far too much for their rent and have little left over for necessities. They are living in crowded and unsuitable conditions, moving frequently, being evicted in growing numbers, and some, even with children, using hostels on a regular basis.

Our conclusions are that the Niagara SARC Network urges this committee to recommend substantive investments in this year's provincial budget in the area of social welfare. We hope these would include an increase in the social assistance rate—both basic and shelter components—to 1995 levels, plus an increase to reflect the rate of inflation since then; the retention by those on social assistance of the child tax benefit; investments in social and co-operative housing and no sale of public units; increased health and social services for sole-support parents; investments in child care; and increased funding of municipal and community pre- and post-employment supports for social assistance recipients.

The Chair: Thank you very much. Maintaining the same rotation we had yesterday, I'll start with the government side. We have two minutes per caucus.

Mr Bart Maves (Niagara Falls): Thank you for your presentation this morning. One of the things that you talked about near the end was social assistance rates. They're about 10% higher, in some cases, than the average in the other provinces right now. So you would advocate putting them back by 22% plus inflation for the last five years?

Ms Janes: Yes, I would.

Mr Maves: So we'd be about 50% above the average of the other provinces?

Ms Janes: I think if you work out the mathematics—I haven't worked out the math of what they would be above. What did you say, 15%?

Mr Maves: Probably between 40% and 50% above the average of the other provinces.

Ms Janes: I'm not sure that that would be. I'd have to work it out. But what I would say, again, is that the amounts that people get across the country aren't adequate amounts of money.

I've asked this question of many people: How much would you need, if you were a single person in Toronto, or even in Niagara, to live on? Given that you didn't own a house or anything and you didn't have a car, what would it cost you? They always say, "About \$1200 is what I would need to get by"—

Mr Maves: Can you tell me what they earn?

Ms Janes:—and they get \$520.

Mr Maves: Can you tell me what the earn-back program is in welfare?

Ms Janes: Yes, I can, and I've pointed out the problem with it. It helps some people, yes. But for young women who are on social assistance who have children who are not in school, that's a problem. The other problem is that they just don't have enough to get by even if they are keeping some of their wages, because they have to have transportation, they have to pay for their phone—it just doesn't work out that smoothly.

Mr Maves: How about the STEP program?

Ms Janes: The STEP program is fine, and the LEAP program is fine, and all these programs that help people. But the basic rate—and it is said by many people and it is being experienced by children up north who came down to Toronto to show how little they had, that they couldn't participate in their school programs. All the other kids in the class could participate; they went hungry. People are going hungry, and it is because the social assistance rate is too low.

Mr Maves: We have workfare, earnfare and learnfare. The community placements portion has been one of the most successful, actually, in taking people who have had placements and who then move from the placements into work. We've just announced some changes where we want at least 15% of people's caseloads in community placements, next year 22.5%, and the next year 30%. As a result of those changes, where we only had eight municipalities out of 47 at 15%, we now have two thirds that are going to hit that 15% mark. You still don't approve of that, I take it?

0920

Ms Janes: It's easy to say. It has actually been an abysmal failure. You had across the province something like 5% of the people in these kinds of placements and your targets were well above that. So most municipalities have not been making them. I doubt very much, if they don't make those targets, that they're going to make increased targets.

The Chair: Thank you very much—

Mr Maves: But two thirds are on track to make—

The Chair: Mr Maves, we've run out of time. I have to go to the opposition.

Mr Monte Kwinter (York Centre): Thank you very much for your presentation. It was excellent in that you covered an incredible range of issues.

One thing stuck out, and I wanted to get your reaction to it. When the House was in session we raised a question about a woman who had a double mastectomy and was sent home the same day. When I listened to it and when I told people about it, they were absolutely shocked and said, "That's just terrible, but it most have been a unique situation." Last night I talked to my wife and she told me of a friend of ours who is going into the hospital on Friday to have a double mastectomy and is being sent home the same day. I thought, "This is becoming the norm." I was just curious to know, because you talk about the avoidance of premature hospital discharges

where people are going home sicker and quicker, how you feel about that.

Ms Janes: In our brief to the government this fall, we commended them for allowing first-time mothers of babies to stay in the hospital longer. We had word, and people's personal experiences indicated, that prior to that announcement mothers were having to go back into the hospital—and this is just one example—if they were sent home too soon. It seemed to make sense to us, and we urged the government to look at other people leaving the hospital and the kinds of costs that are involved in people going home and then having to come back to the hospital with complications, not to mention all the personal trauma.

When I think of all those women who are going down to Buffalo—I had a lumpectomy and radiation and had to wait about six weeks. But I can't imagine a mother with children and responsibilities who lives up north having to travel distances and stay away from her family for the length of time that I had to stay. I really empathize with that human component.

The council of women feels strongly that preventive measures are very important, that one doesn't just rush people out the door. It doesn't save any money and we're very concerned about it.

Mr Peter Kormos (Niagara Centre): A part of me wants to give up my two minutes for Mr Maves to ask you more questions, but I'm going to resist that temptation.

Mr Maves: Come on, Peter. I'll take them.

Mr Kormos: At your peril. Be careful what you wish for, Mr Maves.

In response to this whole issue around welfare rates and the cost of housing, my personal experience and my familiarity with the region are such that your figures on page 2 about rental costs, accommodation costs, are probably dead on, and significantly lower than what they would be in Toronto or other major cities where housing costs are significantly more.

The other thing that bothers me is that when I come to these committees or to the Legislature, the minimum wage in the Legislature for elected officials is \$78,000 a year. That doesn't apply to the staff, and my apologies to them. Most elected officials make in excess of \$78,000 a year. So I'm always bothered by people who are probably in at least the top 10%, if not smaller, of Canadian income earners—and at \$78,000 the fact is you are—talking about my neighbours, my family, my friends, our children, our sisters and brothers, our parents living on those social assistance rates with what are the real housing costs here.

You mentioned the risk of selling off the public housing in Niagara, and I don't think it's a risk any more as much as something that's increasingly etched in stone. What is going to happen to those families—we have hundreds of families across Niagara living in public housing, rent geared to income—where are those people going to go? Do we know?

Ms Janes: No, we don't know, actually. We know that people are paying far too much for their rent and they're struggling to find accommodation they can afford. This will only make the situation worse.

Mr Kormos: My fear is that we're going to see the enhanced phenomenon of real homelessness—not television homelessness, real homelessness—among a whole new sector of our community. A lot of these people are kids and a lot of these people are persons with disabilities.

Ms Janes: I guess what we may see, which seems foreign to us here in Niagara, are the kinds of situations you have in Toronto where recent reports indicate there are more children in hostels. Children—quite inappropriate, very sad.

It's hard when I've dealt with so many issues, but I really would like to highlight two: One is the inadequacy, because all of the regional social services across the province are saying exactly the same thing, that the rates are not adequate and that people are going hungry. Mothers are giving up food so that children can eat, and children are going hungry. There is evidence with Dr Gina Browne's study—it's an internationally renowned study. There's a news article—I meant to get copies for you—that to get moms off welfare you have to invest in them. Education is needed, the long-term supports, and you need to do a good job so that when they have proven—the facts are there that if you invest in these mums, then they will get jobs. The jobs will be long-term, and the money will go back into the economy, the local economy particularly. The children will not go hungry and the children will be better off.

Investment is really important. You can cut as much as you want and down the road you're going to have all these costs. The costs are also documented. Children who live in poverty have higher suicide rates, have higher sickness rates, hospital entry rates, everything. I don't think you can avoid it much longer.

The Chair: With that, we've run out of time. On behalf of the committee, thank you very much for your presentation this morning.

ST CATHARINES AND DISTRICT LABOUR COUNCIL

The Chair: Our next presentation this morning is from the St Catharines and District Labour Council. Could you please come forward and state your name for the record.

Mr Ed Gould: Good morning. My name is Ed Gould. I'm president of the St Catharines and District Labour Council.

The Chair: On behalf of the committee, welcome.

Mr Gould: I handed out this short brief here.

With the strong state of the Ontario economy at the present, there's falling unemployment and there are continued relatively low interest rates. This is good news for provincial finances. Tax revenues are growing automatically and relatively painlessly as the economy grows.

This leaves more room for spending on essential programs like health care.

It is very interesting to note that provincial tax revenues actually increased slightly as a share of Ontario's gross national product between 1995-96, when the Tories were elected, and 1998-99, despite the deep cut in personal income taxes. In 1995-96, provincial taxes equalled 11.2% of the gross national product, while in 1998-99 they equalled 11.7%. Rising corporate taxes and sales tax revenue offset the relative fall in personal income taxes. In essence, overall taxes haven't been cut under the Tories, but the tax system has become relatively less fair since personal income taxes, which were the fairest type of taxes, have been cut.

What I'm trying to say here is that the people with the highest incomes are getting the biggest tax cuts. Obviously that's not fair to the citizens of Ontario or the region or St Catharines.

It is wrong to claim that there's strong growth in Ontario as a result of the Harris tax cuts. Other provinces, like Quebec, have also had very strong growth. The stimulative effect of the Harris cuts was mostly offset by the effects of reductions in public spending. We've seen this throughout the province, with cuts in education, cuts in health care, cuts to social programs. Obviously it's making the numbers look good.

0930

The main factors explaining Ontario's growth over the last two years are continued relatively low interest rates, strong exports to the US and, since about 1998, deep government spending cuts. Again, when you're closing hospitals, closing schools, closing beds, cutting social services, taking the money out of the system and keeping it in the banks, obviously things will look good.

Ontario's government will have ample resources with which to make necessary reinvestments in health care, education, early childhood development and social welfare. In essence what we're saying here is that rather than have tax cuts for the rich and the corporations, we're asking that the citizens of Ontario share in this basic growth in Ontario, with spending on health care, education, child poverty etc. The government of the day has had a dismal record. They're too busy keeping the squeegee kids off the streets in Toronto.

Provincial program spending has declined by about one seventh as a share of the provincial economy since 1995, from 14% of the gross domestic product to 12% by last year. The long-run consequences of this withdrawal by the provincial government from our social and economic lives are becoming more evident every day. As we can see, hospitals are in crisis, public schools are crumbling and there is widespread poverty. Again, let's reflect on the poverty in this province. One of the richest provinces in Canada has one of the highest poverty rates for children. It becomes more desperate even as the economy improves.

The government should cancel the next proposed instalments of personal tax reductions and channel the additional funds into emergency investments in health care, education and other essential services.

The government's own budget papers from last year show the lopsided effects of those tax cuts; see pages 76 to 83 of the 1999 Ontario budget. A family with an annual income of \$180,000 saves over \$10,000 per year thanks to the tax cuts. A senior couple with an income of \$47,000—that's two people—saves \$1,500 per year. Lower-income Ontarians save even less because they paid little or no provincial tax in the first place. Obviously, you can see it's not a fair system.

Ontario has never before seen anything like it: hospitals closed; ambulances on redirect; patients piled up in emergency wards, unable to get a bed; thousands of staff, upon whom patients rely, gone; thousands of beds closed; length of stay cut to the bone, forcing patients out of hospital quicker and sicker than ever before. I just heard the presentation before this and I heard one of the MPPs state that there is indeed a crisis in the hospitals in this province. The government plans to close more than 3,500 beds, with vital services contracted out to the private, for-profit sector, and on and on it goes. It has been an unprecedented four years of turmoil. People have been harmed. Some have died. There was evidence of that in the Toronto newspapers, with ambulances reshuffling patients from hospital to hospital. It's just terrible the things that are happening in this province.

The tragedy didn't just happen this way; it was planned. The government refused to listen. It was told time and time again not to proceed with its plans to close hospitals unless and until home care and other services and sectors were properly funded and in place to provide care for us. But the government was so intent on cutting health care to afford its tax cuts, it ignored many of the voices and warnings. As a result, our once first-class hospital system is a nightmare for many who rely on it. Again, there is continual evidence, even in the media, on a daily and weekly basis.

Just some facts here about hospital care: Almost \$1 billion has been cut from hospital budgets; 45 hospitals have been ordered to close, others severely cut back or downgraded; the length of stay in the hospital has been forcing patients out of hospital quicker and sicker than ever before; thousands of staff upon whom patients rely have been laid off; thousands of beds have been cut; there are lineups in emergency rooms, ambulances turned away, vital hospital services contracted out to big business.

Let's talk about that. If you have \$1 in health care and 20%, 30% or 40% is going to profit, that means you're not getting a dollar's worth; you're only getting 60 cents to start with. You can see that would be the wrong way to go.

The Harris government has been busy crafting a two-tier health care system. They've done this by deliberately starving our public system and by imposing new rules in every sector, including hospitals, long-term-care facilities and home care, and weighting them in favour of the private, for-profit sector. Again, if you have a dollar's worth of health care and you're going to put 20%, 30% or 40% in someone's back pocket for profit, obviously

that's going to buy less. It doesn't take a rocket scientist to figure that out.

This huge shift is having an enormous impact on all of us. For starters, citizens are already spending more money out of their own pockets than ever before for services that were once covered in the public system. At the same time, government restructuring has thrown open the doors to the for-profit health care industry. Increasingly, services that were once provided in the public sector and by the not-for-profits are now being delivered by big business. Again, if you're going to target patients who are willing to pay, and you've got a dollar and you can get a 30% or 40% profit, plus make some money on top of that from someone who is ill and will pay for those services, obviously they're going to do that. What the government is doing is basically asking us to go parachuting without parachutes.

Some of the radical changes include user fees for prescription drugs for seniors and social assistance recipients; delisting or tightening of many OHIP procedures such as eye exams and pap smears—that's an absolute disgrace, that someone who can't afford to pay is asked to pay; restrictions on home oxygen programs, forcing many patients to pick up the tab; cuts to hospitals, forcing patients into home care, where services are being rationed. I've gone to the hospital. I've had some problems with my health, and my family. I'll tell you, bring your own Kleenex, your own shampoo, your own soap, and spend time with your daughter or your wife or your cousin or nephew. Patients now have to pay for services if they can't get by on the minimal hours available. The elimination of minimal requirements in long-term health care facilities is forcing families to hire private agency nurses to care for their loved ones. And on and on it goes. As you're starving the system, only those who can afford to pay will purchase adequate health care.

The government has eliminated the minimum staffing standards for nursing homes which ensured that residents got at least two and a quarter hours of nursing care per day. Meanwhile, government funding cuts and hospital closures mean that most residents now require three and a half hours per day or more.

The government has eliminated the requirement for a registered nurse to be present in a nursing home at all times. There is inadequate care. Nurses are highly trained to monitor the body: its rhythm, its temperature and so forth. Chronic care patients dumped into long-term-care beds get much less care, a \$1.2-billion boom for big business. Some 70% of the first 6,700 beds were awarded to big, for-profit companies like Extendicare, Versa Care and Leisureworld. Patients are forced to pay out of their own pockets to supplement care, and there are 18,000-plus people on waiting lists, but the government plans are only to be completed by 2004.

I just had this faxed to me today, so I can leave this if you're looking for it. I have to apologize for my brief today. I've had some illness in the family, and other matters.

Broken promises: Figures released by the Canadian Institute for Health Information last November now

allow us to examine what is really happening to health care funding in Ontario.

A chartered but independent agency, the CIHI, is charged with the important task of monitoring public and health care expenditures across the country, and was created in 1995 to consolidate the health care information functions for several government agencies, including StatsCan and Health Canada.

0940

The CIHI operates as a arm's-length body from the government. To many observers, it is an important source of information, allowing a measurement of health care and spending and compromises across this province.

Analysis of the CIHI data reveals that rather than increasing health care funding by \$1.5 billion as claimed, funding has actually been cut in Ontario by \$1.97 billion over the terms of this government.

When Mike Harris was elected and the government claimed that it was spending more money than ever on health care, they failed to account for the 4.2% increase in the population, the inflation of 4.5% and the price of health care. That's simply dishonest. And this is an arm's-length agency that the government has set up.

In terms of real spending, the Mike Harris government has cut an increasing amount from health care each year since coming to power. The government cut \$266.4 million in 1996, a further \$628 million in 1997 and \$1.1 billion in 1998. On top of trying to hide the facts by ignoring simple figures such as inflation and population growth, the government has also attempted to inflate expenditures for the year 1998-99 by including \$500,000 in one-time costs associated with hospital closures and layoffs and by double-accounting more than \$200 million in transfers to the municipalities.

Health care experts have clearly rejected these budget claims, although the attempts to artificially inflate spending account for 3.93% of the estimated 1998-99 expenditures. Even choosing to ignore this means health care funding comes \$1.93 billion short over the last three years. This information comes from the Canadian Institute for Health Information in Ottawa on health care prices etc. There are a couple of graphs. I can make copies available by fax. I just got it this morning.

Many of you sitting here today are probably aware that there is the Ontario internal budget for 1999. I just wondered, later on in the brief, what the government of the day promised. They promised that middle-income families would finally get a tax break. What they delivered was 57% of the benefit of the tax to the highest 10% of Ontario households. There's something wrong with the math there. You're promising a tax cut, and 57% are getting less than the top 10%.

The average household in Ontario has actually lost ground by \$28 under the policies of this government. The top 25% of the households saw tax cuts offsetting the costs. Again, I can furnish this document for the members of this committee if they're inclined to look at this other budget.

Health care: Again, this is from the Ontario internal budget for 1999. They promised that total spending would be reduced by 20% in three years without touching a penny of health care spending. That was out of the Common Sense Revolution, page 3. What they delivered was that 35 hospitals have been closed so far, emergency rooms regularly stopped, expectant mothers are shipped around the province in search of beds—that's an absolute disgrace. Cancer patients are sent to the US while more than 2,000 people suffer on a waiting list. All the government has to do is buy some more equipment and train some more people, yet it seems easier just to ship people to the US.

Downloading to regional governments: They promised to improve service and end duplication. What they delivered was a thinly veiled attempt to cut provincial funding in order to free up money for the tax cut. The government's so-called Who Does What initiative neutralizes exchange for responsibilities between two levels of government. In the end, the provincial government downloaded over \$800 million more in costs to regional governments.

That concludes my brief.

The Chair: Thank you very much. We have approximately four minutes per caucus, starting with the official opposition.

Mr James J. Bradley (St Catharines): First of all, I want to compliment you, Mr Gould, on your excellent presentation and stating the facts as I think most people in this area know them to be.

Do you see a pattern out there, as an individual who has observed the political process for a period of time, with the present administration wishing to discredit public institutions and create a "crisis" within those institutions so that people will then accept a radical and what they would have considered to be an unacceptable solution, shall we call it, to that particular problem?

I look at health care today, for instance, where you hear now a lot of talk, particularly in the National Post and other places, about how we must go into private care or a two-tier system. Do you think this is true throughout the policies of this government, discrediting public institutions so people will accept something else?

Mr Gould: That's definitely going on daily in the papers, their press releases, everything. It's just a shame. Again, just being a regular, ordinary citizen, I can understand that if you have health care for no profit alone, you're going to get a whole dollar rather than lose 10%, 20% or 30% for profiteers. I also know that the starving of hospitals, emergency wards etc makes it look like it's the employees' or the workers' fault when in reality they are the ones who are being starved for funds.

Mr Bradley: You seem to believe, because you obviously consult widely with people within the trade union movement, that the significant majority of the people you talk to would prefer in this budget that the government reinvest in health care and education and social services and infrastructure, as opposed to giving

yet another tax cut. Is that pretty well a prevailing viewpoint among the people you would consult?

Mr Gould: Yes, that would be. In fact, a fairer tax system would be to have progressive tax: The more you make, the more you pay. That would be an even fairer system, along with what you just said.

Mr Bradley: Looking at the field of education, which again the labour council is very interested in, and the potential for problems in the future, do you believe that by continually cutting income taxes in relatively prosperous times, the government of Ontario, whichever government it is, would be placed in real jeopardy if we entered a recession, because there simply would not be the revenues to maintain, say, the education system, the health care system and the obviously increasing needs to assist people who would require assistance in a time of recession?

Mr Gould: I totally agree with that statement. You have to spend some money to make the future better, and spending it on training, spending it on the youth of this country, on the squeegee kids, on the journeypersons of tomorrow, on the trained nurses of tomorrow, will benefit everyone in the future. So education is one of the prime motivators of any group that understands society.

Mr Bradley: The automotive industry is doing very well at the present time. You mentioned our exports to the United States, the booming economy south of the border, low interest rates, the low dollar—all of that important. Premier Harris said in a speech to the Fraser forum out west that he wanted to see the dollar increase in value as opposed to staying where it is. What would the impact on the automotive industry be if policies were geared to that?

Mr Gould: I would see tremendous job losses, myself.

The Chair: Thank you. Mr Kormos.

Mr Kormos: Thank you, Brother Gould, for taking the time on behalf of people in St Catharines and district.

I'm concerned about this whole persistent message of "booming economy." I can't dispute the data, the increase in GDP, but just from our own experience here, the economy isn't booming for the 330 GM workers who just got laid off.

Mr Gould: That's right.

0950

Mr Kormos: Any prospect of a return to work?

Mr Gould: Not at this particular time, Peter.

Mr Kormos: I'm told about a contracting out by General Motors of engine production to Honda.

Mr Gould: Yes.

Mr Kormos: I'm concerned about the 300-plus workers and their families from Union Carbide in Welland.

Mr Gould: They should be in.

Mr Kormos: We have lower unemployment, but my suspicion is that the new jobs tend to increasingly be minimum wage.

Mr Gould: Yes.

Mr Kormos: Part-time?

Mr Gould: Yes.

Mr Kormos: Temporary?

Mr Gould: Yes.

Mr Kormos: God bless the folks who work in Wal-Mart. But you can't pay a mortgage—

Mr Gould: Or raise a family.

Mr Kormos: —and raise a family on what you make at Wal-Mart. I just had to mention my concern about this.

Mr Gould: What I was trying to show here in the brief is that the economy seems to be going well but that there seems to be fear driven into the citizens of this province that we have to restrain, and we're restraining in the wrong areas.

Mr Kormos: Let's talk a little bit about your comments on health care. This whole Klein-initiated proposal, this two-tier health care system—I should tell you that just recently I had occasion to visit some private hospital facilities associated with Harvard University. I was similarly in Ohio where, again, Canadians go for health care treatment. What I learned, because these were excellent facilities, is that a day and a half of diagnostic testing resulted in tabs of US\$10,000 to US\$15,000. What I learned when I spent some time with the leadership from Physicians for a National Health Program in the United States, who are advocating a universal health care system, is that 45 million to 50 million Americans have no health care coverage, that the number is increasing—that's one out of six Americans—and that only the wealthiest can enjoy any measure of adequate levels of health care.

You've spent your whole working life with other workers, working families. Is there a single colleague, associate, friend, neighbour, family that you know who would agree with that type of health care system?

Mr Gould: Not one that I know of.

The Chair: Thank you very much, Mr Kormos.

Mr Kormos: Surely that wasn't five minutes, Chair.

The Chair: I said four minutes. To the government side.

Mr Maves: Mr Gould, I know that in the industrial sector here in the Niagara region we have a group of industrial companies, including Hayes-Dana and General Motors and many others, who have spent a lot of time in the last year, maybe even two years, talking about and trying to educate municipal politicians about the high industrial property tax rates, and that they're the highest in the province.

The province of Ontario took over setting the education portion of the property tax rate. The education portion of the property tax rate in Niagara is set to decline, courtesy of the province of Ontario, by about 30% over an eight-year period. We said to the regions, "If you can find your own savings and match a reduction, we'll accelerate that." In fact, the regional government has done that now for the second year in a row, and it looks like we're going to get to that large reduction in four years now rather than eight. Do you support that direction?

Mr Gould: I just wonder, has it shown any improvement? Can you prove to me that it has shown an improvement?

Mr Maves: The tax rate?

Mr Gould: Yes.

Mr Maves: Yes, it has declined. You could just look at a property tax—

Mr Gould: How many jobs did that create?

Mr Maves: Well, I don't know.

Mr Gould: You're the government.

Mr Ted Arnott (Waterloo-Wellington): About 600,000.

Mr Gould: Six hundred thousand jobs in the region of Niagara?

Mr Maves: No. In the region of Niagara they're starting to lower the industrial property tax rate. I think it's necessary—

Mr Gould: You were talking about the region of Niagara, right?

Mr Maves: Yes—so that we become more competitive with other areas.

Mr Gould: You're saying for the third year in a row—

Mr Maves: There are a lot of businesses—

Mr Gould: Pardon me, I'm trying to make sure I understand where you're going here. This is the third year in a row that regional government—

Mr Maves: The second year.

Mr Gould: The second year they have cut taxes.

Mr Maves: Yes, they are going to reduce them.

Mr Gould: I asked you the question, did you see any job increases there?

Mr Maves: There are thousands of job increases in the Niagara region, but that's not the question I'm asking you. I want to know if you support that direction. I know you come from industry, and the industry that I believe you work for wants and is asking for more level industrial property tax rates in Niagara, compared to other regions that we have to compete with. Do you support that or not? That's all I'm asking.

Mr Gould: I understand what you're implying here. I couldn't give you that answer fairly because I don't know what they're paying in other places. I don't believe there should be a competitiveness, playing one sector of Ontario off against the other, because someone is going to lose. They're going to lose in schools, they're going to lose in hospitals, they're going to lose in roads or they're going to lose in social. That's not where we want to go. There should be a benchmark across the country, as far as I'm concerned. So I believe I just answered your question.

Mr Maves: We should all have the same industrial property tax rate—

Mr Gould: By how many jobs have they increased for the last two years of those tax cuts?

Mr Maves: Go and ask each employer. There are lots of manufacturing jobs. In fact, across Ontario provincially there are 675,000 new jobs since 1995. The vast majority of those are actually in manufacturing, tech-

nology and communications. They're not low-paying jobs; they're not part-time jobs. The vast majority of jobs that have been created are full-time. So there have been thousands and thousands of jobs. A lot of those manufacturing jobs have been created in Windsor and Oakville and other places. Mr Kormos mentioned that General Motors has declined in our region over a period of time. The Ford glass plant in my own riding closed. Part of the rationale they're giving for that is that the industrial property taxes are just too high here. Regional politicians are starting to recognize that and reduce their rates also. I just want to know if labour supports that general direction.

Mr Gould: Could you show me job increases in that?

Mr Maves: I think over time we could, since it has only been one year that the property taxation has been reduced—

Mr Gould: Obviously there weren't, because there have been plant closures in Welland and layoffs at General Motors. So what you're telling me—

Mr Maves: I remember Cyanamid in 1995, and I can go on and on about all the different places that completely left—

Mr Gould: But child poverty hasn't gone up in this province?

Mr Maves: In child poverty we're the third-best in the world, according to the United Nations, which is an objective organization.

Mr Gould: Really what's wrong is that you're too busy down in Toronto worrying about squeegee kids.

The Chair: With that, we'll bring this discussion to an end. On behalf of the committee, thank you very much for your presentation this morning.

Mr Kwinter: Bart, just for your information, no one has ever closed a plant because of the difference in taxes, never.

Mr Maves: How do you know that?

Mr Kwinter: Because I used to be the Minister of Economic Development and Trade, and I'm telling you that it's ridiculous to suggest that you've got a huge client and they suddenly shut it down because their taxes go up.

The Chair: Let's have some order, please. We must maintain our order here.

ONTARIO SECONDARY SCHOOL TEACHERS' FEDERATION, DISTRICT 22

The Chair: The next presenters are representatives from the Ontario Secondary School Teachers' Federation, district 22. Could you please come forward and state your name for the record.

Ms Rosemary Hanes: I'm Rosemary Hanes, president of the Ontario Secondary School Teachers' Federation, district 22. This is Craig Brockwell, vice-president of the OSSTF, district 22.

The Chair: On behalf of the committee, welcome.

Ms Hanes: Thank you very much for allowing us to come and speak to you. This is a very emotional issue for me as I am approaching the end of my career, and I am very fearful that with the cuts that we are seeing in education, I am going to be forced to leave my career not as proud as when I entered.

Investing in education is the single most important way in which we can ensure a prosperous and healthy Ontario. However, the Tory government seems to be taking the opposite stance. The biggest problem educators face is a result of an inadequate funding formula, and unless it is revised, boards across Ontario will be in big trouble come September 2000. Teachers are not opposed to change, but they very much need the resources to bring about a successful change. We like our students to be successful and we like to have the resources so that we can also be successful.

1000

In 1991, both the former Lincoln and Niagara South boards were doing all the things the Tory government is now requesting of all school boards across Ontario. They had already begun coordinating activities with their coterminous partners and through careful budgeting had achieved savings before amalgamation. However, under the NDP and now the Tory government, they have not been rewarded for being fiscally responsible. The teachers as well had voluntarily been partners in cost-saving efforts by holding their wages and working conditions constant, in most cases for seven or eight years. Now that the economy is booming, teachers, whose standard of living has steadily been eroded over the past eight years, are expecting a raise that the funding formula makes impossible to deliver.

The government states that the average teacher's salary is \$50,000 in the funding formula. Unfortunately, this is far from the truth in our board. During the last round of negotiations our average teacher's salary was \$57,000, leaving us \$7,000 short per teacher in a board of over 1,000 teachers. How can we possibly negotiate a contract with our board in this next round? Who will be the real villain if labour unrest returns, bringing chaos to our schools? In fact, the Conference Board of Canada has reported employees can expect healthy but moderate increases in their take-home pay. Teachers will expect a salary increase. I don't know how we can negotiate that unless changes are made to the funding formula to allow us to do this.

The District School Board of Niagara has 22 regular schools and one adult learning centre. We have prided ourselves on offering small community schools. The board spans a huge area from Fort Erie to Grimsby and has a mixture of both urban and rural schools. Unfortunately, we do not qualify for any rural funding, although we have a number of rural schools: Niagara District, South Lincoln and Ridgeway, just to name a few. To receive rural funding you must be more than 150 kilometres from the nearest large urban centre; therefore, we do not qualify, as Toronto and Hamilton are within the required distance.

The government also provides funding based on the physical space of the building. Many of our schools are older buildings with wide halls. This extra space is counted against us and we are given less funding for educating students. If there are too many bricks and too much mortar, there is less funding for schools. I don't think this is common sense. Our schools are filled on average to 62% capacity. The funding formula bases funding on utilized space. The government feels that to be efficient, schools should have enrolments of 1,000 or more students. We have four of 23 of our schools that have even close to that number.

Should we close our small community schools, many of which are the only school in the community? Ridgeway, South Lincoln and Niagara District are just such schools. Parents who pay taxes certainly will be opposed to the closure of their community's only school. Niagara District is a school with severely underutilized space, and despite what Bart Maves, local Tory MPP, has said to reassure our parents here, many of whom voted Tory in the last election, it does not qualify for rural school funding.

To keep Niagara District open, the board has even considered tearing down a wing of the school to avoid being penalized for having too much space. This destruction will cost the board an additional \$150,000 which could be better spent providing resources, training and new technology. What happens in the future when more space is needed? Is this not a waste of taxpayers' dollars?

The government's one-size-fits-all funding formula fits no one. Education spending in Ontario continues to fall under our current government. A recent analysis of per pupil spending in North America ranked Ontario as 62nd of 63 jurisdictions. Mike Harris's solution seems to be to distribute inadequate resources more equitably but in doing so to bring everyone down to the lowest common denominator. Cheap education is not quality education.

In 1997, \$64 million was cut from training programs and \$125 million from elementary and secondary school operating grants. This included a \$90-million cut to adult education. In our board, we were forced to eliminate an exemplary program for adult education which had a 90% placement rate. In Niagara we have lost two adult schools. All classes that are offered are now on a cost-recovery basis and must have a minimum of 30 students. Most courses are computer-based. We have lost the academic programs—math, science and English—which many adults need to upgrade. We've lost all the technical and vocational programs. So how do adults who have been out of school for a number of years get the necessary and specialized upgrading needed to become gainfully employed in the new technological and knowledge-based economy of the modern world?

By 2003, the new rules of secondary reform will apply to adults. They will have to take a literacy and numeracy test to qualify for further education. Most will fail. No longer will every resident of Ontario have the right to an

education. If there is no opportunity to escape welfare, taxpayers will pay more in the long run.

In 1999, \$167 million was removed from the 1999-2000 school board budgets, and \$385 million was lost in one-time transition funding for education. In 2001, \$381 million is to be removed from the 2001-02 school board budgets. In recently talking to Mr Reilly, the chair of our board, he indicated to me that \$800 million will be taken out. These cuts have had, and continue to have, terrible impacts on our school programs.

One result is that in many more of our classrooms we are seeing multiple grades and multiple courses taught within the same classroom. There is less time for program delivery, less time for individual attention and less time for teacher preparation.

Secondary education reform has also ignored a whole level of our student population, the vocational students. Not every student will be going to college or university, but this does not mean they should be condemned to a life of no employment. There are no resources to deliver curriculum to those students who can't read or are deficient in their math skills. What happens to these students who will fail their grade 10 literacy test? Are these students to become our throwaway children because they can't keep up and there is not the money to provide special resource teachers and the remediation needed? Who will be blamed: the powerless classroom teacher doing the best with what he or she is given or the government that controls the purse strings?

At a time when teachers are faced with curriculum changes of great and overwhelming magnitude, many of the necessary supports and resources are sadly lacking. The master teachers or department heads infrastructures that were in place to deal with mentoring young teachers coming into the profession and implementing change have been gutted. There is no time and no money to do the kinds of things we are asking department heads to do. The teachers and department heads are the ones who have to deliver the new curriculum. At a time when they are most needed, the professional development days for staff development have been removed. Much of the secondary reform money has been directed to administration rather than to the classroom teacher, who ultimately must make the changes in curriculum and help students achieve success. Once teachers are in the classroom, it's very difficult to remove them to do the training that has to be done to implement secondary ed reform successfully. We need professional development days. No industry trains people on their time; they do the training during work time. There is not enough money to free up teachers during their workday for staff development, and this will be exacerbated if we are forced to teach more than six of eight classes per day.

1010

The recent announcement to put more money into textbooks is wonderful, but is this new money or money that has already been announced? Last evening an art teacher told me that it will cost him \$70 per student to implement his grade 9 curriculum, plus \$389 for the

teacher resource kit, and that's just for one class. Furthermore, much more money than is allocated is needed for the new technologies. Computer and software spending is not sufficient to implement the new curriculum. Computer networks and Intranet access and technical support are very expensive. Loss of school technicians has resulted in equipment not being repaired and even more work being downloaded on the back of the classroom teacher.

As more and more experienced teachers take the opportunity to escape the problems and uncertainties of the classroom through early retirement, boards across Ontario are facing a looming teacher shortage. Faculties of education have taken over their allotment of new teacher candidates, whose success depends on the mentoring and training provided by quality associate teachers in our schools. However, without the time to do even the job they are paid to do—teach kids—many long-standing associate teachers are having to decline accepting teacher candidates in their classrooms. Who will provide this most necessary training?

I work with the faculty of education at Brock University, and many of the students there say that the workshops we provide and the training they get by being in classrooms with master teachers is far more valuable than what goes on in their faculty of ed classrooms at Brock and the other faculties across Ontario. Associate teachers do need time to do this job. Unless they are given it, they will not be doing the training of our new young teachers that needs to be done, and we are getting more and more of them in schools. Department heads don't have the time to deal with the problems of classroom management that many of these young teachers have. This is really a problem that will have to be addressed.

Special education places even greater demands on an already cash-strapped educational system. Although the government has agreed to put additional money into special education, there are so many requirements that must be met that few special-needs students fit the established profiles in their entirety and therefore do not qualify for special-ed funding. By law, the board must still provide a program for each special-needs student, but the funding has to come out of the general education pot. Special education is expensive. There is no way the board can deliver the level of service parents are expecting. Services for preschoolers aged two to five are good, but the same level of funding is not there once children are placed in schools. Parents have come to expect this level of funding. Our board has only four language pathologists and one speech pathologist for 3,400 kids. The funding formula does not match the reality of our world. Teachers find it very frustrating. They are doing their best to meet students' needs but, with the funding available, find it impossible to meet parental demands. And we're not lying. Parents are starting to think that we are the liars and that we are the crooks and that we just don't want to meet their students' needs, and that's not the reality.

The funding line for transportation has not been revised since March 1998. This was one area our board was

criticized for in the EIC report. Since this time, the board has introduced junior kindergarten, which increased transportation costs. A further increase was incurred with the consolidation of schools. Also, we lost the partnership with the French-language school, which now does not share transportation costs with us. Although our transportation costs are lower than in 1997, we are still \$950,000 over what the funding formula allows, and we have to find that money somewhere.

Special education also impacts on our transportation budget. Many high-needs students have to be transported to a specialized school for program needs. One high-needs student requires a rider on the bus and must travel a considerable distance. This one student will cost the board \$35,000 in transportation costs for just one year. The funding model does not allow for such exceptional circumstances. Where are we to find the money to deliver costly government-mandated programs?

We are a large, diverse board of both rural and urban schools. If we are to fund all our costs, these must be real costs. Over the last few years our costs have increased due to inflation; however, the funding provided does not reflect this. Hydro, gas, snowplowing, CPP costs, up 10% from last year, and employee benefits are necessary expenditures and aren't accounted for in the funding formula.

Boards are stretched to the limit and, without more funding, are doomed to fail. With what will we replace them? Should we encourage our boards to go into deficit financing to do what local taxpayers have elected them to do: to provide quality education for all the children in our schools and in our communities? That's what I'm going to encourage our board to do if adequate funding is not there for us to provide quality education to kids in Ontario. That's what we have prided ourselves on in Ontario, and I certainly hope this government does not intend to privatize education but to fully fund quality, universal education for everyone.

Recommendations: Give boards the ability to raise funds through education taxes. This is necessary at a time when the economy is booming. Let the boards decide what kinds of programs their communities need. The government is far removed. I don't see them listening to our concerns.

The funding formula should be revised to reflect the diverse needs of boards with a mix of both urban and rural schools.

The funding formula should be revised to reflect inflation and real costs.

The funding formula should be increased to allow for professional development at a time of such enormous change in curriculum, assessment and new technologies.

The funding formula should be increased to address the need for salary adjustments at a time when the economy is booming and teachers are seeing salary increases for many other public and private sector workers.

Transportation funding needs to be addressed. Not only the mixture of our urban and rural schools, but also

extracurricular activities and special education, bring added transportation costs.

As evidenced from the chart that outlines the percentage change in spending per full-time equivalent pupil in secondary and elementary education in Canada, Ontario's percentage of spending decreased much more than all the poorer provinces that are not experiencing the great growth and economic boom that Ontario is currently experiencing.

The funding formula is in serious need of revision if public education, universally accessible to all, is to survive. Thank you.

1020

The Chair: We have two minutes per caucus. Mr Kormos.

Mr Kormos: Not very much time, Chair.

Thank you kindly. Your comment, "Not every student will be going to college or university," I accept that. We've struggled in this province for a long time to improve the retention rate. That is the number of young people who enter high school but who then complete it.

I was at an event the other night with a whole lot of teachers, talking to special-ed teachers who can confirm everything you say. These are teachers I know. These weren't political comments. They were just personal comments to me. Have we seen anything in this regard yet? I think the bar was raised. It's no longer just a matter of completing high school. Really we need some post-secondary education for young people. When I was a kid, it was completing high school on a good day. Are we seeing any changes in the retention rate, if I've got that right, as a result of what's been happening, the gutting of any number of programs in our high schools?

Ms Hanes: More and more students—and this is going to increase when the literacy and numeracy tests are imposed—are just not going to make the grade. Students who need more assistance are not getting it. We don't have enough EAs. We don't have the resource teachers available to assist those students, and teachers have taken on an increase in their workload. They are doing 1,250 minutes now, therefore there is less time. I think you're going to see more and more hard-to-serve students, special-needs students failing us. They will just become frustrated and they will drop out.

Mr Kormos: Not even finishing high school, never mind going to college.

Ms Hanes: Yes. They won't be able to because they are not going to be able to pass these tests.

Mr Kormos: Incredible.

The Chair: You've still got 30 seconds.

Mr Kormos: No.

The Chair: No? OK.

Mr Kormos: Wait a minute. Chair, in these 30 seconds, this is a shocking revelation after the struggle—

The Chair: Mr Kormos, we allocated 30 minutes for the presentation.

Mr Kormos: No, I'm talking about my 30 seconds.

The Chair: They took 22 minutes. I have divided the time equally. I will not debate the issue and I'll go to the government side.

Mr Kormos: What happened to my 30 seconds? The Chair used it.

The Chair: We've used your 30 seconds.

Ms Hanes: Help us, Mr Kormos, speak for the students and these young people in the Legislature who cannot speak for themselves.

Mrs Tina R. Molinari (Thornhill): Thank you very much for your presentation. As we've been travelling across the province and listening to different views from different people, we've heard a number of presentations from OSSTF. There seems to be a consistent stream, yet there are individual situations which you've raised, and we appreciate your doing that.

Just some clarification. I have a couple of questions and I don't know if I can get them all in two minutes. Just so that I get a better understanding of the school board—from your presentation it's the District School Board of Niagara—you indicated 22 regular schools and one adult learning centre and somewhere here you said there are 3,400 kids?

Ms Hanes: No. There are probably over 15,000 students, but just for language and speech pathologists we have 3,400 special-needs students who need those services, and those are all the people we have to serve them.

Mrs Molinari: So in 15,000 students, there are 3,400 students who need speech and language. OK, thank you. Of the 22 regular schools, how many are elementary and how many are secondary?

Ms Hanes: They're all secondary.

Mrs Molinari: They're all secondary, because you represent the secondary. That's not the full Niagara board. Then there's the elementary component.

Ms Hanes: We have 1,050-some teachers. The elementary teachers are something like 1,900.

Mrs Molinari: I'll focus on that. I was just trying to get a picture of how big the board is and the school is.

I appreciate your comments on the fact that the Lincoln and Niagara south boards were already doing all the things that the province wanted them to do. I have to say that not all the boards across the province were doing that, so it was necessary to put some things in place that would allow other boards to be as efficient as the one you've indicated. There were some that had some very efficient ways, and we're looking at those to come up with the best practices and share that with all the other boards. I thank you for that.

Ms Hanes: But part of our problem here was that we were then penalized for it. Where other boards were given mitigation monies, the fact that we had been fiscally responsible was never considered. It made it much more difficult for us to meet the demands of the government when we had already cut. There wasn't a lot of fat for us to cut as far as our administration and as far as our consultants. At a time when we have to implement all these new changes, and at a time when department head structures have been removed and department heads don't have the time to be master teachers in the schools, we need consultants. We need people who can say,

"Okay, here's what you have to do to make the implementation of secondary ed reform successful." We don't have those people.

The Chair: Thank you.

Mr Bradley: Excellent presentation. I'll only be able to focus on a couple of areas, obviously. One is going to be special education. As an educator, you would see the consequences of not addressing the special needs of those students who can be disruptive in the system because of the problems they experience. They simply are unable to cope. What happens if we do not put that investment in special education, both at the elementary and secondary schools? What are the consequences for those students? What usually happens to them?

Ms Hanes: They become throwaway children. Unless they come from wealthy families where the parents can provide the support and some form of education so that these students then can find a job, they become unemployable. No employer will look at them. Often now the schools provide the training so they can go out and find jobs where they feel proud and they earn their own way. That's not going to happen.

It's these students I am most fearful for and whom the teachers in our board are fearful for, because right now we don't have any program or any path that says, "This is what you're supposed to be doing with these students." From my understanding, we have to wait for another whole year before we get anything. So teachers are doing what they think is best for those students who are entrusted with their care.

Mr Bradley: My second question deals with the students when they leave the secondary system and go to post-secondary. Today they face drastically increased tuition fees, huge increases in accommodation costs and other ancillary costs that we see for post-secondary education. One effort was made with the Millennium Scholarship, but the province decided it would take that money and put it in its own coffers instead of allowing it to go to the students.

What is the consequence of high tuition fees—huge ones, particularly for professional programs—and other costs in education at the post-secondary level?

Ms Hanes: Fewer students are choosing to further their education. This is going to cost us all in Ontario, because we are a knowledge-based economy. I think it's very short-sighted on the part of the government to throw roadblocks in the way of young people who really want an education.

I would have been one of those people, because I came from a family of seven. My father was a railroad worker. We did not have a lot of money. Unless I had grants and scholarships available to me, I could not have attended school. Then I would not have gone on to further make a contribution to Ontario.

Just a few days ago, at the BEC conference where Jane Stewart was speaking, at my table sat a young man I had taught at Welland high. He was now working for the parks commission. It's those kinds of successes that make teaching so rewarding. Fewer and fewer of our

young people are going to have that opportunity to contribute to a prosperous Ontario, and that is a great shame.

The Chair: On behalf of the committee, thank you very much for your presentation this morning.

Ms Hanes: Thank you for having us. I had lots more to say but not enough time.

Mr Bradley: You should be in the Legislature, where it happens all the time.

1030

ONTARIO CHILDCARE COALITION

The Chair: Our next presenters this morning are representatives from the Ontario Childcare Coalition. If you could come forward, please, and state your name for the record.

Ms Libby Walters: Libby Walters, Ontario Childcare Coalition.

The Chair: On behalf of the committee, welcome. You have 30 minutes for your presentation this morning.

Ms Walters: Thank you for the opportunity to address this group. As a child care worker and trainer of child care workers for over 20 years, I sit on the executive of the Ontario Childcare Coalition. The brief I will be presenting to you is similar to one that some of you would have reviewed in the Toronto hearing. That's why I did not provide it for you. I will be presenting it today with my own additions, and that is why you don't have copies.

I work at a community college where I train early childhood education workers, but I also work in child care. I am fortunate to be in a setting organized by OPSEU, and that is why I'm here today. I really see that we need to draw this government's attention to the issues in child care.

As you probably know, the Ontario Coalition for Better Child Care was founded in 1981, with a mandate to advocate for the development of high-quality, non-profit child care services in Ontario. The organization includes representatives from education, health care, labour, child welfare, injury prevention, rural, First Nation, francophone, social policy, anti-poverty, professional, student, and women's organizations. The fact that I'm here is because we have a women's organization called the Provincial Women's Committee in which child care is one of the issues that we strongly support.

In addition, we serve community-based child care programs and local coalitions across the province, so we're linked right across the province, trying to give the support that's needed to programs, centres and home care providers who are out there on their own. It's a very fragmented system. Unlike the system you just heard about which has been highly organized for many years, our system has been struggling. Groups like the coalition help to bring it some support.

The coalition is a public awareness organization bringing benefits to early childhood education and attention to the public and policy-makers like yourselves.

The work of the coalition covers a wide range of activities. It monitors provincial child care policy and legislation, and lobbies for changes and improvements. It develops policy alternatives for government consideration to improve the quality and management of and the accessibility to child care services. It develops books, manuals, fact sheets and news bulletins on child care policy and operations for use by child care programs and early childhood education training programs—that's what I'm a part of—and also by parents and the general public. It conducts public information campaigns through written materials, videos, public service announcements, public speaking and media relations campaigns.

The coalition was responsible for helping to promote wage grants which came out in the 1980s and has helped to keep people employed at a decent living in the field. We also lobbied for pay equity, because this group was going to be excluded in the pay equity legislation because of its being a female-dominated occupation. The coalition is constantly out there trying to improve the lot of these workers.

The coalition also conducts research and provides a variety of services to assist community-based child care programs. A lot of the coalition's funding has been cut over the years, so one of the ways it can continue to survive is through getting research grants. That has been very helpful to us to be able to then provide the information to the public as to what's happening in our field.

We participate in an array of advisory committees, task forces, community planning bodies and child development associations, and play an active role in the development of high-quality child care services at a local level by offering information, training workshops, supports and advice for child care programs and allied service organizations.

The current environment in Ontario has seriously affected the accessibility of quality services and threatens to destroy the entire system, which was once the envy of every province in this country. Although the Ontario government maintains that it is spending more on child care than any previous government, analysis of the provincial allocations for regulated child care shows the difference of \$70 million between 1995 and 1998. The actual annual child care expenditure per child has dropped 15% since 1995, from \$281 to \$238 per child. In addition, between 1995 and 1998 the number of children under 12 with mothers in the workforce has increased by 70,000, but only 19,000 new child care spaces were created. This came from the Child Care in Canada study, from the child care resource and research unit at the University of Toronto.

It is clear that the present system is not responding to the needs of families in Ontario. Some of the additional pressures that are affecting child care include—it's interesting, because I've spoken on this before, and people who see a lot of these pieces I'm going to talk about as separate don't realize that when you put them together they all impact this particular sector quite desperately.

The first one is municipal downloading. The downloading on to municipalities of child care costs was fully implemented in January 2000. In 1997, when the decision to download was initially made, parents and other members of the child care community, as well as municipality representatives, lobbied the province strenuously so that we could keep 100% of the subsidized parent fee revenues, worth \$25 million, in order to protect existing subsidies.

Recently, the province reversed this decision, thus downloading an additional financial burden to the cash-strapped municipalities. Municipal governments are still trying to assess the impact as they prepare their budgets and it is clear that without additional provincial funding, municipalities will either increase property taxes or cut funding to public services and community-based programs, such as child care. Every time a municipality sets its budget, this will have a direct impact on the centres and their workers because the next impact is just not the parents and the children, but also people who work in this field and to whom I'm directly related in training.

The Harris government is also privatizing child care. In some ways, instead of privatizing the services through provincial legislation, the province has downloaded the services to the cash-strapped municipalities. They're responding by saying, "OK, deregulate; privatize." That can cause additional impacts on the quality of the program.

The privatization of municipal child care programs: Traditionally, these fully subsidized municipal programs were established in communities where there was no other child care available or in neighbourhoods with very low-income and high-needs and special-needs families. Staff training and qualifications reflect these realities.

To date, as a result of downloading, facilities in York region and Elliot Lake have been closed and their services contracted out to the community-based sector, where staff with fewer qualifications and who earn lower wages will have to deal with this high-needs population without the appropriate supports. That flies in the face of the work that we're trying to do in the college sector to train these people, when they can't get jobs with decent wages, and the programs are then not available for the children as well.

This underfunding of community-based subsidized programs—their staff are struggling with per diems that have been frozen for the last six years. Contending with these funding shortages, municipalities are not increasing per diems to reflect the annual costs, and the actual costs as well. As a result, parent boards are forced to increase parent fees and cut funding for outings, games, supplies and educational materials, as well as staff wages and their benefits. Clearly, program quality will deteriorate if funding is not restored.

The next one is rationalizing wage grants to the child care workers—wage grants which we fought for, as I said, back in the 1980s. Wage grants were implemented in the child care sector because public policy-makers recognized the relationship between quality child care

and a stable workforce. In its downloading process, the province gave municipalities the discretion to reallocate wage grants as a flawed option for managing increased child care costs. If acted upon, the same pot of money will be used to provide grants to new staff in non-profit centres who currently don't receive grants, possibly to staff in the profit sector who traditionally have been excluded from the bulk of the grant.

Child care workers in the non-profit sector remain grossly underpaid for their work, even with wage grants. The coalition is opposed to the idea that these staff should be subsidizing the wages of child care workers in non-profits who don't receive grants and who are even more grossly underpaid. It just sets workers against workers. Many workers in our field don't know their status. Their funding comes in bits and pieces. There's a grant here, there's a subsidy there. It really makes for a lack of job security and it makes it a very contingent workforce. I think the stats are that one in five will end up leaving within about five years or less than five years. They don't stay in the workforce, which is a waste of training and a waste of good people.

1040

I have also participated in the development of a health and safety training module with the Workers' Health and Safety Centre. What was interesting—we were looking at the health and safety of the workers, so you would be thinking about exposure to chemicals and musculo-skeletal injuries, and we did look at all those things. But the additional thing we looked at was the stress of lack of job security and low wages. I think those things are really important to mention here, because what is happening with the rationalization of wage grants and the municipal downloading is that you're impacting this workforce more and more and making them more and more disadvantaged, which again affects the quality of the program.

Furthermore, some municipalities are considering including the for-profit sector in their reallocation proposals. Reallocation will result in lower wages for the majority of child care staff. Where reallocation includes for-profit providers, it will represent public dollars being used to subsidize private businesses that are not accountable to the taxpayers. So what will happen is that the wage grants and subsidies that are going into the hands of private for-profit operators will go into their pockets, and that's where our tax dollars are going, as opposed to going into the programs and to paying the staff adequate wages. We just can't accept that.

Ontario Works child care is another impact. Municipalities' inability to implement this program was documented in the KPMG report which concluded that the Ontario Works program could not succeed in the long term with inadequate access to child care. It predicted that children of Ontario Works clients would be forced into informal care irrespective of parental choice. Part of the reason for that is that the amount of money provided for child care is not adequate to pay for organized child care, so parents will make a choice of perhaps a family

down the street and unregulated care, which puts children at high risk.

Some municipalities have indicated that they will use only unregulated care for these children because of the lack of adequate funding. These children are already at high risk and it is they who benefit from participation in quality, regulated child care services.

This is the first time public policy in Ontario has created two tiers of child care service by forcing low-income families to use unmonitored care. As a result, these parents will be put in the unacceptable, unconscionable position of having to leave their children in settings of dubious quality and safety in order to access the money they need to feed and house those same children.

Privatization through the reallocation of funding to the for-profit and unlicensed sectors does nothing to address the needs of thousands of parents already on waiting lists for subsidized quality child care services. Privatization means children being placed in care of dubious quality, parents losing equal access to benefits for quality services, fragmentation of an already fragile network of services, increased parent fees, deterioration of wages and working conditions for child care providers and a loss of accountability to taxpayers.

The province has also pursued other initiatives which, unbeknownst to them—but I'm going to let you know—have a really negative impact on child care services. One is child care in schools. Some 40% of Ontario's licensed child care centres are in schools. However, with recent cuts to education, as we just heard from the previous speaker, they do not treat the child care centres in the schools as legitimate school expenses. If forced out of schools, child care programs have no capital funding to relocate.

Under the previous government, before the Harris government—and you probably know this—new schools were to have child care centres, every one of them, and that was a really good way to approach it. Now schools are closing, centres are closing and if any new schools are being built, child care centres aren't a part of that. So we're really going backwards in that regard.

The coalition completed a survey to determine how child care programs in schools are being affected by the government's policies. The survey data reveals that child care programs across the province are facing eviction, increased rental costs and reduced space. These are many issues that are jeopardizing an important link between child care and the schools. The one really wonderful advantage of that for parents—many of you who are or have been parents or grandparents know that if a child is in child care and is in kindergarten, there is a real concern, if you are a working parent, about how you get your child from half-day kindergarten to child care. Well, if the child care centre is in the school, they just walk down the hall. It's such a safe situation, yet we're closing child care centres in schools.

Cuts to capital funding and the playground initiative are something new that's happened. In 1995, the government eliminated capital funding for child care programs,

so that wasn't new, but the impact of that is what's happening this year. In September 1999, the Ministry of Community and Social Services had a new playground directive requiring all operators of licensed child care centres to meet new Canadian Standards Association standards for outdoor playgrounds. All licensed child care operators were required to develop a playground safety policy.

While this on the front end sounds really wonderful, what ends up happening, because there's no capital funding, is that the child care centres are forced to dismantle their programs—it's been quite well publicized in the paper—and then have nothing in their playground because they can't afford to refurbish it. I sit on the board of a child care centre in Hamilton—it's located in a church—and our playground has been deemed below standard. There's no capital support, and we're going to have to go begging and pleading to find money because right now there's nothing in the playground for the children. We've been given five years by the Ministry of Community and Social Services to bring it up to standard. I note that the municipality in the city of Toronto is giving 20% funding to help and they are giving them seven years to bring their playgrounds up to standard. But that's only 20%, and where's the rest coming from? I think it needs to come from the provincial government.

While the child care community supports the move to ensure that outdoor play environments are safe, we are astounded that the government would expect to implement such a policy without any training or capital funding. Successful implementation of this directive requires a partnership. If the government is serious about keeping children safe, it should ensure that necessary resources and training are available to make this directive successful.

The next item that has affected child care is the changes to the OSAP regulations, OSAP being the student assistance program. The decision in 1996 to remove parents in post-secondary education from social assistance and eliminate the child care bursary is still having a devastating impact. Low-income parents struggle for a better life for their families. They are graduating with untenable debts and are the only parents expected to borrow money to pay for child care. Again, working in a college setting, I see this all the time. Many of our clients are parents who are returning to school so they can get a better job. They need child care in order to do that, yet they're just building up huge debts to do that, which doesn't give them a good start.

Pay equity, which I mentioned before, has also impacted the programs. While legislation mandates that child care programs continue pay equity adjustments beyond 1998, the government refuses to flow additional money to meet this obligation. Child care programs are being forced to decide between making the pay equity adjustments and accumulating debts that will become unsustainable, or discontinuing further adjustments,

putting them in direct contravention of pay equity legislation.

After many years of advocating for children, the coalition has come to appreciate a holistic approach to providing support for the early years, but families in Ontario need help to support them through the parenting cycle. In Ontario, parents need a judicious mix of benefits and services that are targeted to meet the identified needs and not designated to favour one family type at the expense of another.

The next part I'd like to talk about is a little bit about the background and research which has been fairly well presented publicly, but I'd just like to put it together for you so you see where we're coming from.

The child within the family and within society: The formula for good child care is no mystery. Extensive research shows that quality programs have high adult-to-child ratios, consistent caregivers, small group sizes, appropriately trained and compensated staff, and an adequate, safe physical environment. These elements of quality care depend on adequate public funding, non-profit delivery, parental involvement and enforced regulatory standards.

Numerous reports and studies from experts in the areas of social policy, health, economics, education and child development agree that the best way to support children is by supporting their families through a progressive family policy. A recent University of Toronto study entitled *The Benefits and the Costs of Good Child Care* established that for every \$1 that government invests in quality child care services for children aged two to five, there is a \$2 return in increased labour productivity and decreased social costs. The study demonstrates that child care is a prudent and productive use of scarce public funds.

1050

The National Council of Welfare stated that many social programs support families, but child care is the backbone of them all. The *Early Years Study*, commissioned by the Ontario government, envisioned the development of a system of early child development and parenting centres to support children from conception to formal school entry, and also support their families. This concept ensures that optimum parenting and early child development support the most sensitive period of brain development. That was in May 1999.

The Federal-Provincial-Territorial Council on social Policy Renewal found that the quality of child care received in the early years directly affects the way they will think and learn and has a lasting impact on their future abilities.

The Royal Commission on Learning found that a major factor in future success in school is participation in quality early child development programs.

The Ontario Coalition for Better Child Care is calling on the provincial government to invest in the future of Ontario by developing a comprehensive system of early childhood development services, including child care, to support families during the important years of child

development. We know from the volumes of research available to us that the early years are too important to waste on the patchwork and disjointed system and the diminishing services available in Ontario.

Why do we need a system of early child development services? I've just mentioned that it supports healthy child development. We recognize that regardless of parents' employment status, early child development opportunities benefit all children and help them realize their full potential at each stage in life.

We need a system that fosters economic growth. Early childhood development services enable parents to work or be trained so they can enter employment opportunities. Flexible, reliable, affordable services help parents maintain their employment.

We need a system because it creates jobs. With the government invested in early childhood development services, we will create thousands of jobs for our early childhood education graduates over the next 10 years.

We need a system because it reduces child poverty. Affordable early child development services allow parents to participate in the workforce and break them out of that poverty cycle.

We need child development services to invest in our future workforce so that we have children who have the best start in life and who can become skilful, competent workers. It is more cost-effective for the government to invest in high-quality services now than to pay later for the results of low-quality or non-existent services.

The Ontario government can make the development of early childhood development services a high priority by co-operating with the federal government in its negotiation of a national children's agenda and by allocating their own additional resources. When I went to speak to my own MPP, that's the answer he gave me. My own MP gave me the opposite answer. One said, "Go to the federal government." The other said, "Go to the provincial government." I'd like to see you guys work together. You've got to work together on this.

The coalition recommends that the Ontario government return to its traditional leadership role in developing licensed quality child care by making substantial new investments in this sector. We also recommend that the government undertake a five-year plan to increase child care spaces and provide base funding for child care services through the creation of a pilot project modelled on Quebec's universal child care system. Ontario used to be the leader in child care in Canada. Quebec and British Columbia are moving far ahead of us now in providing services for their children and families. While there's been criticism of Quebec's model, it has a lot of really important tenets that we need to look at and consider in Ontario.

The Ontario government must provide ongoing funding for mandatory pay equity adjustments in recognition of pay equity principles. The Ontario government must immediately dismantle Ontario Works and invest in a job creation and training program that will lead to permanent

jobs and access to quality child care for the unemployed and for people on social assistance.

We recommend that the Ontario government restore all funding cuts from education.

We recommend that the Ontario government reinstate the policy that required all new school buildings to include child care space. I mentioned that before. I think that is so important for the safety of our children.

We recommend that the Ontario government make new and substantial investments in children and address the serious issue of child poverty.

We recommend that the Ontario government restore capital funding for child care, provide the necessary resources and training to child care programs to enable them to meet CSA standards and implement safe playground policies.

Finally, we recommend that the signatory to the National Children's Agenda, the Ontario government, demonstrate vision, political will and commitment to regulated, licensed, non-profit services for Ontario's children and families in the next provincial budget. That's why we've come to you today.

Just a final note from myself as a worker and an advocate in this field: I have trained early childhood education workers for over 20 years, and I have seen the system struggle. This government needs to direct their energies to a system of child care that will give children a better start. It needs to recognize the workers in this system who are well-trained and need to be fairly compensated. They are a key element of the quality care that is an essential component for our social infrastructure. A coordinated system with sufficient public funding is what we need. Thank you.

The Chair: We've got time for a quick question from each caucus. You have one minute.

Mr Arnott: Thank you very much for your presentation. I certainly learned a great deal from your presentation this morning. We've heard from many child care advocates in the course of our deliberations as a committee, but you've provided additional information that will be helpful to the committee as well as the Minister of Finance.

I listened carefully to your presentation, but I don't recall if you mentioned the Ontario child care supplement for working families, the program which spends about \$200 million for low- and modest-income families. I think it's up to \$1,100 per child under seven. Do you think that's a good approach to ensure that there is a program to assist low- and modest-income families and allow them choice in their child care decisions?

Ms Walters: I think it's part of the answer. One of the problems in allowing choice is that if there's only a set amount of money, similar to the Ontario Works program, parents could very likely choose unregulated settings because they're cheaper. The problem is that the system is fragmented. That's only one small part of it. Yes, parents need assistance, but we have a system that's so fragmented. It's regulated, but it's here and there, and parents could choose something that could possibly be

inappropriate. We need to work with parents. We need community centres and support centres for parents to help them make those proper choices. That's not out there.

Mr Bradley: The problem that you identified of the various levels of government working together is indeed a very valid one. I was getting a number of telephone calls as a provincial member. When the federal government increased the amount of money that is provided for child care, the provincial government deducted a certain amount. When one level of government provides more money, regardless of what level of government that happens to be, would you think it legitimate for the other level of government to deduct that much so that ultimately the people don't get any more money at all?

Ms Walters: Are you kind of leading me down the path of saying that we should not be working together? My comment to that is that the two levels of government need to work together on this. That's the major problem. We need a child care system nationally, but I think Ontario needs a system. What you're talking about is giving dollars, taking dollars away. That isn't the answer. I'm sorry, that's just not the answer.

Mr Bradley: Good. Glad to hear you say that.

Mr Kormos: Thank you very much for taking the time, notwithstanding that the coalition made a presentation in Toronto as well. I don't know who your MPP and MP are, but I'm sure that neither of them are New Democrats—

Ms Walters: They're not.

Mr Kormos: —because we have the luxury of criticizing both the province and the federal government at the same time.

One of the problems, and it happens around here, is that you've got right wing radio talk show hosts still pounding away at the irresponsibility of parents who would utilize child care, not understanding that it isn't just about taking care of children while a parent or parents are working, but it's also good for the kid, for Pete's sake. You do it because the kid should be in, maybe not five days a week, some sort of disciplined structure where there's professional input.

How do we respond to those dough-heads, and I'm putting it generously, those afternoon radio talk show hosts who put under attack parents who would choose child care for their children? Do you know the kind of dough-heads I'm talking about?

1100

Ms Walters: Yes, I hear it all the time, and the whole thing about babysitting and how you don't need training. I've been involved in this field for 20 years. I think what we've been trying to do in our sector is broaden the area of support. Economists from the University of Toronto are talking about the economic sense of having child care. Health care reports—Dr Fraser Mustard, people like that, who are well-recognized professionals, are getting up and speaking about this. It's not just, "Where do you put your kid when you don't need it?" These things are well-documented, that we need proper, adequate care, we

need it to be accessible, we need it to be affordable and we need it with trained, qualified people.

How do you deal with these talk show hosts? I think you have to educate them. I think more of us need to go and talk with them. We need to bring people in and see what's happening in the programs. As a group, child care workers need to become advocates for themselves as well. But the support of people like you, who maybe aren't familiar with the field, is really important. Coming before you today has been that opportunity to help to educate you. I think that's one of the things, but also the support of the government—this government or any government—is what we really need, to look at it not just as a fragmented give-a-dollar-here, take-a-dollar-there, but as a system that really works.

The Chair: On behalf of the committee, thank you very much for your presentation this morning.

Ms Walters: Thank you.

ST CATHARINES
PROMOTION TASK FORCE
NIAGARA COLLEGE FOUNDATION
ST CATHARINES CHAMBER
OF COMMERCE

The Chair: Our next group this morning is the Niagara College Foundation and St Catharines Promotion Task Force. On behalf of the committee, welcome. You have 30 minutes for your presentation. Could you please state your name for the record.

Mr Don Johnston: Good morning. My name is Don Johnston, and I'm the chair of the St Catharines Promotion Task Force, chair of Niagara College Foundation, and a past president of the St Catharines Chamber of Commerce. Actually, I will have some comments on behalf of the chamber of commerce as well in my presentation.

Initially, I'd like to talk about Niagara College as an example of some of the current problems encountered by colleges in Ontario.

The Niagara College Foundation was established in 1989. It has 22 directors, including the college president and a member of the college board of governors, as liaison to that board.

The foundation has two primary roles. The first is fundraising for capital campaigns: One we have just wound down in regard to financing a new campus at Niagara-on-the-Lake, plus some major additions in Welland, plus fundraising for student bursaries and scholarships. We have now raised about \$1 million, the income from which is used for bursaries and scholarships. Again we have to thank the government for its two-for-one program wherein they matched public funds that we raised.

The other function of the foundation is advocacy on behalf of the college throughout Niagara and beyond. It is in that role that I am here today.

Niagara College was founded in 1967 and has three campuses in Niagara. The main campus, also the administrative centre, is in Welland. It was built in the late 1960s and early 1970s and has some recent additions. It has currently 3,260 full-time students.

Glendale campus, the new campus in Niagara-on-the-Lake, was built in 1998, replacing two buildings which were over 100 years old and were the worst college buildings in the whole system. It currently has 1,400 full-time students. That building was initially designed for 1,200 students, with growth to about 1,400, but we have moved in with 1,400. Because of changes in student choice and the programs offered at that campus, it's already full.

We also have a hospitality and tourism centre in Niagara Falls which was opened in 1989. It has 420 full-time students. A major increase in that building is planned to satisfy business demand for more graduates. As new hotels and restaurants are constructed in the Niagara Falls area, there has been a greater demand for our hospitality and tourism students, and we are in the process of planning a major addition to that centre.

In total, Niagara College has full-time enrolment of 5,080 and 15,000 registrations in continuing education programs at all three campuses. Its current-year budget is \$54.8 million.

Niagara College, like most of the 25 community colleges in Ontario, has some specific problems which should be addressed in the next budget or budgets. Some 33% of the 25 colleges already have accumulated deficits at the end of March 1999. Our forecasts indicate a similar situation at Niagara if our problems are not addressed soon.

Our information systems are badly out of date. The cost to update these systems averages \$2.5 million to \$3 million per college. At Niagara, upgrades and replacements of hardware and software will cost nearly \$1.8 million. In addition, the ongoing cost to maintain appropriate computer and non-computer equipment is \$750,000 and \$400,000 respectively each year. There currently is no separate funding from the province for these costs, resulting in continual deferral of new purchases.

Because most college buildings are 30 to 40 years old, all of them have serious deferred major maintenance costs. Prior to moving to the Niagara area, I was chair of another community college in another city and I have visited 23 of the 25 community colleges in Ontario. I can say that there are a fair number that need upgrades. The cost to restore these facilities at Niagara is estimated to be about \$4.5 million, and throughout the college system, \$410 million.

Because of insufficient funding, colleges have also deferred other types of expenditures. For example, at our learning resource centres in the three campuses, only 19% of circulating books are less than 10 years old; 58% of these books now predate 1980. Obviously we're hooked into the Net, but someone must have written a book upgrading the educational processes since 1980.

Possibly you could throw some light on that, Jim. This situation at Niagara and other colleges falls far short of the standards recommended by the Canadian College Learning Resource Centres.

Because of the 15% drop in funding in 1996-97, class size per instructor has increased 19% during the last six years. This has resulted in less time available to assist individual students.

The various deferrals and changes in class size are largely the result of conditions which are beyond the control of local college administrations. For instance, provincial grants per full-time student, and in total, have declined significantly during the last 10 years. There is a chart in my presentation which shows that in the 10 years ended 1997-98, the grants per student for elementary and secondary school boards increased 8.2% to \$7,222; per student grants to universities in Ontario decreased about 2% to \$10,854. However, to community colleges, in the 10 years to 1997-98, the funding per full-time student has declined over 20% to \$6,770.

1110

Annual increases in tuition have been generally capped. There is a 10% cap on most courses. There are some specialty courses that have been uncapped and their costs per student have increased. However, the fee increases, while significant to students, are far from sufficient to offset reduced grants. As you know, student intolerance of these fee increases is growing and becoming more militant.

As an offset to that, the grants in the two-for-one bursary program have allowed us to give out more bursaries to needy students. Basically our program of bursaries and scholarships has moved away from scholarships rewarding marks to one of bursaries awarding qualified students financial assistance, not only in the first year but in continuing years. That has helped significantly.

Salaries for academic, support and administrative groups are either negotiated centrally or set at the provincial level with very little input locally. Salaries and benefits of any community college represent about 80% of the annual budget and they obviously continue to increase each year.

We sincerely appreciate the government's financial support for new buildings and new specialty equipment. Of course, a case in point is the \$32 million that formed part of our granting for the new facility at Glendale and also for the partial financing of the \$11 million that has gone into upgrades in Welland. In addition, the provincial government recently announced a \$1.6-million grant to purchase state-of-the-art equipment in our advanced manufacturing and research facility. In that area our equipment was decades old and it has now been replaced, and our students are now operating with equipment that they will encounter when they go out into the workforce.

However, the demand for work-related, technology-based education grows, but colleges under the current grant system are progressively hindered by lack of

adequate funding to provide up-to-date replacement resources to supply such training.

We urge the Ontario government to address this problem in the next budget, particularly to.

(1) Provide funding for cost increases, such as salary costs, which are negotiated provincially.

(2) Provide funding to upgrade computer and other equipment and maintain it thereafter. This is a major suggestion on our part and on behalf of all the colleges;

(3) Provide funding to restore older buildings to a proper state of repair. As I said, we've got good support for new buildings, but our 30- and 40-year-old college system requires some upgrading and repair.

(4) Provide funding for growth programs such as agribusiness. There's a major increase in the student population in our agribusiness area because our Niagara Peninsula is one of the main agribusiness users of our students. Hospitality—we've spoken to that before. Integrated manufacturing and applied research and international trade—we have one of the pre-eminent international trade courses. Our students are accompanying these world tours. They represent Canadian firms and they are all university graduates. We have 132 university graduates attending Niagara College—at least last year we did. I don't know what the figure is at this moment. That says that a lot of them are looking for specialty assistance in their education, and we're there to provide it. Currently, funding for growth programs only applies to computer-related programs.

(5) Modify the enrolment-driven formula—growth for growth's sake. I believe monies should be directed to growth programs rather than just increasing the funding per student. If the province feels there are certain areas of economic growth that we need to support and to grow, those are the ones that should receive the greatest amount of funding. Maybe it can be addressed through an increase in general grants, if that's the easiest way, but that isn't necessarily the best way to treat it.

Those are the recommendations of our college foundation.

I've got a brief comment also on behalf of the St Catharines Promotion Task Force. It was established in 1990, receiving contributions from 246 businesses in the St Catharines area. Its mandate was and is to support projects which assist existing business to stay and grow and also to support projects to attract new firms and employment to this area.

One of our major concerns has been the level and annual growth of municipal taxes in St Catharines and throughout Niagara. We believe that major restructuring of municipal services and costs must occur in Niagara.

We think that a single- or three-city solution will happen within the next few months, whether agreed and decided locally—and that's what we're still working on—or whether out of frustration it is ultimately mandated by a provincial adviser. Hopefully, whatever solution is decided, aggressive restructuring will start immediately and continue for the next 12 to 15 months.

In addition to being past president of the St Catharines Chamber of Commerce and past president of the Chatham Chamber of Commerce, I have followed very closely the restructuring of Chatham-Kent and the savings, something like \$11 million, \$12 million per year, that have resulted from the restructuring down there. It takes time, though. It takes more than the nine months Chatham-Kent had. In Niagara, with 400,000 population, it's going to take 12 to 15 months to do it right.

Such restructuring will entail significant one-time transition costs for personnel downsizing, building closures, new signs etc. The transition government or governments will require provincial assistance for this task, as did other restructured governments such as the Chatham-Kent area. We suggest that some funds be allocated by the Ministry of Municipal Affairs for this situation.

Ultimately, the businesses and citizens of Niagara will receive more efficient and less costly municipal government services, but we will require your help over this initial hurdle.

I have just a couple of brief comments relative to the chamber of commerce. Some of them will be addressed in another presentation. In quick summary, they're indicating that in order to maintain Ontario as the most competitive jurisdiction in the country, we have to move beyond deficit elimination and dedicate some of the surplus to debt reduction and continue to balance budgets.

One of the significant Niagara concerns of course is the mid-peninsula transportation corridor. There's been a lot of talk about it. We would like to see that because since the 1999 report, Niagara Frontier Gateway Study, nothing really has been done. A joint MTO-Niagara study was started and it's still in limbo, and I'm not too sure what "in limbo" means because it could be deferred for a short time or a long time. We believe that the assessment, planning and construction of a new thoroughfare through Niagara will help our general economy. We encourage the ministry to proceed with the needs assessment study so that we will have sustained economic stability and growth in the Golden Horseshoe.

1120

Balancing the budget: We commend the government for reduced deficits, and I understand that the estimated deficit will be \$1 billion in this fiscal year and that balancing is targeted. We suggest that in the current budget, the minister forecast the amounts of surpluses he estimates for the next five years and, to follow that up, to move towards the reduction of the debt-to-GDP ratio back to the 15% historical level within the next five years.

Finally, to maintain the Red Tape Commission and to see that the commission also looks at how the government can utilize technology to simplify the process of delivering of government services. The comments regarding the municipal assessment and taxes will be presented in a few minutes, so I won't speak to those.

In your package there is also a copy of the Niagara College 1999 annual report. I'm available for questions.

The Chair: We have two minutes per caucus and we'll start with the official opposition.

Mr Bradley: Thank you, Mr Johnston. You're wearing about three or four different hats today. I can't think of anybody who's more knowledgeable about the community college system than you are, and as a person from business and industry you would understand the importance of the community college to our future.

You are proposing to what is now called the Super-Build Fund, which is a renamed existing fund for capital distribution in the province, in my opinion. I guess I could ask you this question, because you've covered so much so well: What kind of impact would the approval of the funding from SuperBuild on your applications have on the community college?

Mr Johnston: It means that certain projects will move forward faster and others will have to be deferred. With our limited facility people we can't do it all at the same time. Our greatest immediate need is an expansion of the facility in Niagara Falls. We have demand from incoming students which would double that facility. Architectural drawings are now underway to not only double the size of that building but also to build a residence which will not be funded by the college; it will be similar to the one in Welland, which is privately run. We have some of the best-known graduates from that course in the world—a graduate who was executive chef at Truffles in Singapore. I followed up and he's now executive chef of 14 restaurants at Bell'agio, which is the largest hotel in the world, running a huge staff. There are others similar to him. Our annual chefs' special dinners that are put on monthly encourage incoming students. We've got to provide for them but we're also encouraged to take students from outside Niagara because we are a specialty here and we've got some really top-notch instructors. To utilize them means that some of the incoming students are from outside of Niagara; they're coming from other areas of Ontario. So we're going to move forward on that.

We would like to have moved forward on things that have to be done in Welland. We have done a lot in Welland but there are a fair amount of other things to do. Because part of our funding will have to be public as well as government, whatever that ratio is—I think it's 20% or 25%—we can't just move forward on all the fronts at the same time. We're addressing that SuperBuild project initially on the Niagara Falls campus.

Mr Kormos: Thank you, Mr Johnston. You may or may not know that I'm a big fan of Niagara College, and I appreciate your presentation here this morning. You and I were becoming really good friends while you were making the presentation on behalf of Niagara College, but then you switched hats. I've got to tell you I disagree with the presentation made in other regards, except for the fact that I think there are people out there who concur about the three-municipal option. Tell them I'm confident we would be pleased to take on governance of the rural area, Thorold would love to take on governance

of the industrial part of St Catharines, and Niagara-on-the-Lake I'm sure would take on governance of that tourist-dominated area stretching down south to Niagara Falls. I concur with you. Pelham, Thorold and Niagara-on-the-Lake would probably concur with the three-municipal option if it were designed as Niagara-on-the-Lake being the dominant community, Thorold the dominant community and Pelham the dominant community.

Mr Johnston: What would happen to your favourite place, Welland?

Mr Kormos: Welland and Fort Erie are renegade communities. They'll probably secede from somewhere.

Mr Johnston: Is there a question in this?

Mr Kormos: Yes, besides just having some fun with the fact that you and I disagree profoundly in that regard.

What do you say to the proposition that the Fort Erie survey revealed that most Niagarans appear not to want the imposed megacity options? What about grassroots democracy? I'm serious. What do you say to that, that people have a right to determine how they govern themselves?

Mr Johnston: You're suggesting that there would be a referendum?

Mr Kormos: Maybe.

Mr Johnston: I don't know that we want to run that up. If we're going to do this, we can't wait three and a half years for it. We need reduced costs. Whatever the mix of geographical cities is, I think we need significantly reduced costs, and Chatham-Kent proves that. It's only 10%, but they took 156 politicians down to 18. If you talk to the citizens now, two years later, they're very happy with it. The mayor and many others weren't at the time, but they're happy.

I don't know that the Fort Erie survey was sufficiently broad outside of the boundaries of Fort Erie. A couple of hundred people is not a good representation. If you watch channel 10 on Wednesday, Saturday and next Monday, you'll get my side of the story.

Mr Kormos: Fair enough.

Mr Maves: Thank you for your presentation. I note in your book that at the Maid of the Mist campus in my riding there's a room named after Mr Kerrio. I would encourage you to maybe name a room at the new Glendale campus for Tom Froese. With \$30 million from the government for that, maybe you'd consider naming a room in that building after Tom.

One of the points you had in here is about who is intolerant of fee increases. There are more and more people, actually, who are continuing to enrol in colleges and universities, and that may be the type that will require more and more enrolment grants.

The other thing I want to ask you is, surely you believe that students should pay some portion of the cost of their own education, because there is a benefit to them. Do you have any thoughts about what percentage of the cost of their education a student should pay?

1130

Mr Johnston: I don't know. My one son just graduated. He now has four degrees. He hasn't got a job yet

but he just got his MBA from the Ivey School of Business. That was \$11,000 per year annual tuition, plus the cost of going there, which he and I financed. I don't know that he could have financed it by himself. Hopefully before I pass on I'll get some of that back. I don't know. I'm not counting on that.

But I don't know that there's a fixed figure. If you're going to move into an immediate high-paying job, dental hygiene—there are a number of types of jobs or positions that are so well paid immediately that we can charge, and I think they should pay, 50% plus.

We have one in Welland making microchips. We're the only college in Canada that manufactures microchips, and we can't keep our students until their graduation. They are being hired away in their final year, before they graduate, because the pay is so significant. It's very high.

The Chair: We've run out of time. On behalf of the committee, thank you very much for your presentation this morning.

WILLIAM BENSEN
LEE SIMPSON

The Acting Chair (Mr Ted Arnott): Is Mr William Bensen in the room? Would you please come forward. Welcome to the standing committee on finance and economic affairs. You have 15 minutes for your presentation.

Mr William Bensen: I'm William Bensen. I'm a rheumatologist. With me is Lee Simpson, an arthritis patient. We want to make a plea today for an investment in arthritis care, which we think will be an investment that will actually save money.

Let me give a brief outline. The outline is in the hand-out.

The impact of arthritis in Canada is undeniable. Already in Ontario arthritis is the principal reason for primary care visits and the principal reason for long-term disability, and as well is a very frequent user of our drug plans, our hospitals and surgery. With the aging population and the coming boomer bulge, it will overwhelm our medical and financial resources if we cannot develop new paradigms of management to tame what we call this awakening giant of health care.

In Canada, arthritis is the leading untreated but treatable disability. Arthritis is not always curable, but it is usually controllable, especially if treated early. Early treatment dramatically improves prognosis, but as well is remarkably cost-effective. In Canada, it is estimated that for every dollar spent now, \$10 to \$30 can be saved later. Immediate diagnosis is the cheapest option, long-term palliative care the most expensive and costly, yet in Ontario right now early management is virtually impossible.

The treatment that we use toward the goal of personal best in each patient is a combination of a management team and treatment modalities. In recent years, hospital-supplied management teams have been obliterated by cutbacks and there have been no new resources put into

outpatient care. To give an example, renal dialysis patients have \$4,500 of capitated professional care a year. The last estimate for rheumatoid arthritis patients is \$50 to \$70. In no place in Ontario have physicians been able to rehire the management teams of nurses and therapists, and therefore this appropriate care has become unavailable. Arthritis patients, however, when treated early and brought under control, usually return to or maintain their work and become taxpayers again.

So we have a problem with the management team, but we also have a problem on the drug side. The drug treatment for rheumatoid and osteoarthritis has advanced more in the past five years than in the previous 50. The non-steroidal, anti-inflammatory drugs which up to now were the baseline of our therapy have been replaced, and will be replaced, by these remarkable specific COX-2 inhibitors, which have the same potency but have the side effects and intolerance that we normally see with a placebo. Already we know that these drugs would save millions in terms of hospital costs and doctor costs, but these drugs are currently unavailable in Ontario in the government-sponsored plan and in many of the private-sponsored plans.

Similarly, we're getting new drugs that have the ability to turn off the disease process. We call these the DMARDs, or disease-modifying drugs. These drugs are expensive and the way you give them, sometimes intravenously, is expensive. We don't have a fee structure in Ontario that will even pay the cost of handling this. The \$22 for a \$500 cost makes these treatments also functionally unavailable. I believe, and the statistics show, that the short-term gain from these limitations will soon be paid in long-term financial and medical pain by our patients and by all of us as taxpayers.

In essence, I am here to plead for an investment in arthritis care, an investment which the evidence clearly shows will pay an annual dividend of about 50%. We believe that in the current gridlock of health care and the crisis it is going through, arthritis care changes won't happen. We need the resources now to replace the management teams which have been cut back by the hospitals, and to give us the new drugs that will do the job and allow our patients to get their disease under control.

We believe that an investment in arthritis care, coupled with new management paradigms on an outpatient basis, would save both dollars and people's lives and would be a win-win solution for the government, health care providers, the public at large and, most importantly, the patients.

I'll turn it over to Lee Simpson.

Ms Lee Simpson: My name is Lee Simpson. I'm here today as the incoming chair of the Arthritis Society, but I speak to you truly from the heart as an arthritis patient.

I was diagnosed with osteoarthritis at age seven. My drug of choice during the 1960s was aspirin, and I went from there to what they call the non-steroidal anti-inflammatory drugs, NSAIDs. These are drugs like Arthrotec and naproxin, and during the working and

productive part of my life these kept my arthritis well under control.

In the mid-1990s, however, they started to take a toll. I was then publisher of *Chatelaine* magazine and happily working in my job when the grinding feeling in the pit of my stomach which I'd been feeling for a while erupted into a full-blown ulcer. I found myself in hospital with what was first diagnosed as a heart attack but turned out to be a very irritated ulcer. Well, there were no more NSAIDs in my life. When you reach that stage, they really don't help, and there wasn't anything that did.

For a year, in the most productive years of my life, I found myself reduced to someone who was looking, frankly, at long-term disability. In a year I went from a productive, working citizen to someone who couldn't move very well, couldn't walk upstairs, couldn't possibly sit all day in a boardroom meeting. These things were gone from my life.

I would probably have ended up in a very sad state of affairs, both physically and psychologically, you might well imagine, if it hadn't been for Celebrex, the first of the COX-2 inhibitors. It came along just in time. I have very recently had the courage, due to the health reformation that Celebrex has given to me—I'm able to exercise again; I'm back on the motorcycles that my husband and I so much love—I have entered a new phase of my career and I have gone back to school to do my master's of divinity. This is a reformation in my life that made me want to become more involved and tell the story.

1140

The second tiny little tale I want to add to that is the story of someone who's near and dear to me, my mother, who also suffers from arthritis. However, when she last year hit the threshold of the end of NSAIDs, the start of the ulcers, her doctor was most reluctant to prescribe Celebrex because she said she was concerned about my mother's pocketbook, and rightly so. We have many elderly female citizens particularly for whom having drugs that are not on government-assisted programs is a major difficulty, and a difficulty in the mind of the prescribing physician when it comes to alternatives to NSAIDs. Had I not persisted with the physician, my mother would not be on Celebrex. My mother today leads a happy, productive life and enjoys her grandchildren and all that life has to offer.

I hope that these two stories make a telling point and help you understand better from the citizen's and arthritis patient's perspective why it is so imperative to get drugs like the COX-2 inhibitors and the TNFs that are on the horizon that can help control arthritis and help those of us who suffer from it live with it rather than fall victim to it. Thank you, ladies and gentlemen.

The Acting Chair: Thank you very much for your presentation. We have just over a minute per caucus. I'll start with the New Democrats.

Mr Kormos: I'm no fan of pharmaceutical companies because I think they're greedy and rip off consumers left and right. But Celebrex, you're saying, isn't covered in the drug benefit plan?

Mr Bensen: That's correct.

Mr Kormos: And what's the cost to, for instance, a senior citizen?

Mr Bensen: The cost is about \$1.25 a day for osteoarthritis, and it's equivalent or less for many of the other plans. In fact, you hear Bill Clinton arguing about the Americans coming across the border. That's because the company in Canada put it at 40% less than the States so it would be more available for people.

Mr Kormos: And the government is unresponsive to requests to put Celebrex on the list?

Mr Bensen: I think it's being processed, but so far there's been no decision made about it, as I understand.

Mr Kormos: That's nuts. It's whacko. No taxpayer would agree with the government not listing that, no fair-minded taxpayer. That's a problem our constituency office has on a daily basis, among things like home care, which we have big problems with, the reduced amount of home care available. Delisting of pharmaceuticals is one of the big problems we encounter on a daily basis. I wasn't aware of Celebrex, but I could list you a whole bunch of other pharmaceuticals in any number of areas of treatment—mental health care, other ailments—that have been delisted. Doctors are in a dilemma. People who can afford it get it; the whole rest of the world, including, obviously, a whole whack of seniors, are denied it. That's pitiful.

The Acting Chair: Turning now to the government side.

Mr Maves: Mr Kormos is right. What's pitiful is that the NDP delisted hundreds of drugs in the five years they were in office.

Mr Kormos: I didn't agree with that.

Mr Maves: You never agree with anybody, actually.

Contrary to that direction, we've actually added 700 drugs to the formulary since we've been in office. Obviously, you know there's a process in place where a company that manufactures a drug has to apply to a panel which then researches the drug, looks into the drug and then decides on whether or not it's going to be added to the formulary. You've indicated that that process has been undertaken already?

Mr Bensen: It has been undertaken; that's correct. In a number of provinces they are listed. Because we have a process in place in a sense to get health care and to get drugs, what we're asking for is a different initiative, a different step, because arthritis isn't going to be high enough on the radar screens of these committees to make those decisions, yet it's the investment that keeps pouring away.

Mr Kormos: Bart, you can make it happen. Just say yes.

Mr Maves: I don't have the ability to say yes. Mr Kormos knows that.

So that process is being undertaken. Do you know how far along they are in the approval process?

Mr Bensen: No, I don't.

The Acting Chair: We'll turn to the Liberal caucus.

Mr Kwinter: Mr Bensen, I don't know whether you know it or not, but I have introduced a bill in the House on alternative medicine. I have no interest in any specific treatment; I'm only interested in freedom of choice for the doctor and freedom of choice for the patient. That was really the intent of the bill, but as a result of introducing it—and it has now been introduced three times and it's gotten unanimous approval—one of the side effects of it is I have been inundated by people who tell me about all their complaints and all their different treatments. The most prevalent by far, like 20 to one, is people calling me about glucosamine sulfate, telling me how it helps their arthritis and they're saved by it. We don't have time, but I could tell you a story about a doctor at Mount Sinai Hospital who's doing a study on it. What can you tell me about that?

Mr Benson: In a nutshell, the data to date shows it does have an analgesic effect, and there is some data, that isn't perfectly put together because of the X-ray technology, that suggests that maybe it'll help slow the process. In a sense, it would be like a Tylenol. It would have an effect of about this much. The drugs we're talking about here have an effect of about this much and the data's very clear. There's no question, some people do get a response from the glucosamine, but it is not enough of a response to return them to normal life. So we tend to tell people that if they want to take it, please take it, because that will help, but you need the bigger things also, at the same time.

I wasn't aware of the bill; I'm sorry.

The Acting Chair: Thank you very much for your presentation. We appreciate your advice.

Mr Kormos: Point of order, Chair: I'm concerned about M. Beaubien, the Chair. He's been gone for some time. I'm not sure whether he's well or not. Should somebody go looking for him?

The Acting Chair: I think he's just fine.

Mr Maves: Could I make a motion that Mr Kormos go and look for Mr Beaubien?

Mr Kormos: You don't know how much I'd love to.

The Acting Chair: Thank you very much, Mr Kormos.

IAN SPRAGGON

The Acting Chair: I'd like to call forward Mr Ian Spraggon, if he's in the room.

Mr Ian Spraggon: I'm Ian Spraggon.

The Acting Chair: Welcome, Mr Spraggon. You have 15 minutes for your presentation.

Mr Spraggon: My presentation is not generic, but is related directly to the Niagara region. I will be brief.

I'll draw your attention to those charts I distributed. Down the left-hand side is the tax ratio and along the bottom are some of what we consider to be the competing areas to the Niagara region—not a difficult calculation. Obviously, as you can see from those charts, the Niagara region has an enormous property tax

problem, which I suggest affects the economics and certainly obstructs economic development.

The Fair Municipal Finance Act, 1997, is quite specific when it says the tax ratio for residential/farm property class is 1. The act, to the credit of the government, I think really simplified the process. It was always very difficult for someone to appeal their taxes because they never understood where the calculations came from, and today a homeowner can understand where they came from and, without the expense of an expert, can figure out their taxes, ie, the tax ratio multiplied by the property value equals the taxes in dollars. They can then make an educated decision on whether or not to appeal.

The subsequent regulation, which gives the allowable ranges for tax ratios, gives us multi-residential of 1 to 1.1, commercial-industrial of 0.6 to 1.1. My interpretation of that is that the minister wants the tax ratio on commercial and industrial properties to be no higher than 10% of residential. Therefore, if I have a house valued at \$400,000, my property taxes will be \$4,000. My factory valued at \$400,000 will be taxed at \$4,400. The legislation, if I read it correctly, gives the municipality until 2005 to achieve the balance.

My concern and the reason for my presentation today is I'm not sure that the municipal politicians in Niagara have understood that the clock is ticking and that we're nowhere close to achieving these ratios. I'm not even convinced that they understand this despite the fact that we have 130 of them—one for every 3,000 of the population. The regional chair, as an example, on a recent television appearance quoted the Slack report of September 1999, which suggests that the taxes in Niagara are right in there with most Ontario communities. I would totally disagree. Let me give you an example. A \$150,000 house in Milton, which most of us would agree is pleasant community, with good shopping, good highway access, an international airport nearby, GO train in rush hour, a lot more things than we have—taxes are \$1,650, a 1.1 ratio. Niagara Falls, same house: \$2,150, a 1.7 ratio. Real estate practitioners will tell you that house deals collapse for a whole lot less than that.

1150

With the tax ratios we now have in Niagara, this is the scenario. That \$400,000 house has a ratio of 1.7 and the factory has a ratio of about 9. If you do the math, the house taxes are about \$6,700 and the factory about \$36,000. However, if my interpretation of the legislation is correct, those factory taxes should be closer to \$7,400. How do we close the gap? We can pray hard, obviously, for another government in the next provincial election to rescind the legislation, or we prepare, I think, for an unbelievable increase in residential taxes. I don't see where else it's going to come from. I can almost guarantee you that you, the provincial politicians, will be blamed.

There are many examples, and I'll give you one excellent one. A friend of mine, employed at Brock University—he's not a dummy—wrote to me about his property taxes. He has a rural property of about four and

a half acres and said that on the market value assessment he got a dramatic increase. Being a fair sort of person, he said: "I don't have a problem with that. I wasn't paying sufficient taxes anyway." Interesting. Then he got his notice, which came at the time of the actual value assessment from the province, and his taxes increased 21%. In fact, his taxes increased 15% because of the region and 5% plus because of the municipality. But that was not his position; his position was that it was the province doing current value assessment.

My appeal to this committee is to urge the finance minister to make these municipalities face the music now and persuade the government to put the citizens of this region out of their misery by addressing the governance issue. I think it should be one city of 414,000; I noticed yesterday that it had jumped to 422,000. Dispose of 120 politicians and allow us to speak with one voice on economic development, not 12. It's unbelievable that we have 12 economic development offices for a population of 414,000. I recognize that you're not the economic development committee and you're not municipal affairs, but my mother always told me that he who pays the piper calls the tune.

Lastly, one of Conrad Black's better hires is a young writer in St Catharines by the name of Doug Herod. The header in his column on municipal-regional government, November 19, 1998, says, "More Mischief in a Dysfunctional Family." And he got it right.

The Acting Chair: Thank you very much for your presentation. We have some time for questions, if you care to take them, from the three caucuses, starting with the government this time.

Mr Maves: I think Doug Herod is actually a favourite of Mr Bradley's.

Mr Bradley: Don't stick him with me.

Mr Maves: I'm sorry. I thought he was; I know Conrad Black is.

Mr Bradley: They all get told what they have to write.

Mr Kormos: Do you know Conrad Black?

Mr Maves: No. I never met him. We had an earlier presenter from the St Catharines Labour Council and we were talking about the industrial tax rate. This really shows how out of whack—I said at the time that ours were amongst the highest in the province. This chart shows that Niagara Falls, Welland and St Catharines, the three principal cities in our region, all have about a 9% industrial tax rate. The closest you get to that is about, what, 7.5% in Kitchener? Cambridge is 7.2% or something. Those municipalities are ripe and leaning right towards amalgamation themselves, so you would expect that rate to decline, probably below 7%. That leaves us 2.5 points above anyone else in Ontario.

I suggested at the time that that has a negative impact on an industry's decision to do business in this region, would discourage them from doing more business, and in some cases retaining current business, in this region. Do you think that's the case?

Mr Spraggon: I've always classed Mississauga-Oakville as being our competition. I have, for the most part, avoided industries sitting on Highway 401, figuring that's not exactly our competition. But even when we look at those municipalities, we're totally out of whack. If you look at property prices, industrial-commercial in Mississauga or Oakville, they're about the same as here, \$3.25 or \$3.50 a square foot to lease a place. Then you give them the whammy with the taxes. You do the additions, the TMI—the taxes, maintenance, insurance—and we're simply out of whack.

If you're talking about 2,500 square feet, it's not a big deal in the scheme of things. But if we're talking about a factory that's dear to a politician's heart—50,000 would sort of indicate it's a little bit labour-intensive—it's huge, absolutely huge.

Mr Maves: This also indicates that we're higher than every municipality on this chart in residential property taxes right now.

Mr Spraggon: That's right. Incidentally, I did not prepare those charts. Those charts were prepared by the region.

Mr Bradley: I agree with the challenge that we have to meet. I don't actually agree with the prescription, Ian, that you have for it. Unfortunately, we haven't heard on this matter from Dr Andrew Sancton, who is expert on the field of megacities and their effect. Dr Sancton states that there are no savings. He's done several studies. There are no savings, ultimately, with one big city, contrary to what some people continue to write.

Second, he pointed out that in places like Boston, New York, Los Angeles, Cleveland and Chicago, they have all kinds of municipalities within the municipality, so the argument that if you speak only as one big region somehow it's an advantage, he indicates clearly that that is an advantage which is far overestimated.

The obsession with too many politicians—I can think of what you'll have for the regional council. You may be happy with it; I wouldn't be. If you have a 16-member regional council, they'll all be rich candidates, because they'll have to be rich to run, or you will have party politics sitting there. If I were a lobbyist, I'd be delighted to be able to get at only 16 people. It won't be very representative of the community. I disagree with individual councillors from time to time, but at least they reflect the community.

I would suggest, Ian, that the real problem is the downloading of \$18 million in additional net costs on the region by the province. That's why we see such a huge increase. I do agree with you that we have to address that, and the nine bills that have been passed in the Legislature dealing with it, each one correcting the last one, have not done so so far.

Mr Spraggon: If I could address that very briefly, I liked the quote the bank president gave: "The status quo is not an option." The huge tax rate is not new to us. It has been lying around there for years. The Kingston report—and then you go to the Chatham-Kent experi-

ence, which is not just a report—is interesting because they went ahead on the basis of that report.

My main thrust in everything is economic development or the lack of it. We are so parochial in this region, we absolutely kill ourselves. I asked the mayor, when he went over to Cologne on the world rowing thing, "How many people asked you on which bank of the St Lawrence St Catharines sat?" He said, "Nobody asked that specific question," but everybody asked him where it was. We kill ourselves in St Catharines because we're not Niagara. You need to geographically, in their heads, decide where they are.

We are so parochial. I had an example just a month ago where I got an inquiry for a 5,000-square-foot restaurant in downtown St Catharines from the city. That same inquiry went to Niagara Falls. But because I'm not in Niagara Falls, I don't get the inquiry despite the fact that I have a 5,000-square-foot restaurant in Niagara Falls. In terms of economic development, we would rather see that person drive up the highway to Mississauga than locate them elsewhere in the region. In other words, they don't believe that if somebody sells a washing machine in Port Colborne, I'll eventually make a dollar.

Mr Kormos: I appreciate your comments, quite frankly. They're very provocative. I think you know where I'm coming from a little bit on this megacity stuff. You've got Welland, St Catharines and Niagara Falls. I can't dispute that. I'd like to see Thorold, Pelham, Fort Erie. I don't know where they stand with respect to those other communities that are listed here, but it would be interesting to see where they stand with respect to St Catharines, Niagara Falls, Welland, because my impression, based on what people tell me, is that they have lower rates. Have you got that data there?

Mr Spraggon: Let me tell you. Residential, you're one point higher in Welland than you are in St Catharines, which means you're two points higher than Niagara Falls. You're 1.8442. Thorold, you're 1.684, which is about the same as Niagara Falls, which is 1.686. Go to industrial, almost the same. Thorold is 0.8. I don't have Welland there, but I'm sure Welland is up there too.

Mr Kormos: Those are some of the figures I'd like to look at. It's too bad, because the region wanted to come here today. I've got a letter from Debbie Zimmerman, the chair—

Mr Spraggon: They weren't allowed to?

Mr Kormos: It would be fascinating to put the points you raise to the chair and have some debate here. That's what this is all about. I've got a letter from the chair, Debbie Zimmerman, dated February 9, expressing her regret that, notwithstanding their efforts, the region cannot participate directly to express its concerns. In the letter she talks about some of her concerns about the 10-5-5 issue and about the overall tax issue and the fact that the region has shown some restraint, reduction in services among other things. It's unfortunate because I appreciate what you've had to say. At face value, I don't quarrel with it. How can I? That's the data. But it would be so nice to be able to engage the region in that debate.

Mr Maves: On a point of order, Mr Chair: I think you should perhaps explain to the committee how people get selected to appear.

The Acting Chair: Thank you very much, Mr Maves. I will. The subcommittee of this committee, which is a committee represented by members of all three parties, makes determinations as to how the committee is going to deal with presentations. You will know, Mr Kormos, that a member of your party is on that committee and was a part of that decision-making process. It's my understanding that the region made a request to present before this committee but that the request came in after the deadline. Certainly the region has an opportunity to present a written submission to this committee which will be considered in the context of all the other presentations.

Mr Kormos: On the point of order, the committee is scheduled to sit until 3:30, which means 4 o'clock, as the last presentation is at 3:30. However, the data I have show that the 2 pm presentation is cancelled. I wonder if staff could give Ms Zimmerman a call and invite her to come and fill in that little spot.

The Acting Chair: I'm not the permanent Chair of the committee and I feel it's not appropriate for me to make a ruling on that.

Mr Kormos: Where is the Chair? He's been away from here for a long enough time. Chair, please.

Interjections.

Mr Kormos: I understand. I'm getting older too.

The Chair: Sorry about missing the discussion, but apparently you raised the concern with regard to the region of Niagara not being able to make a presentation. The reason is that we made a decision as a subcommittee that they were not on time in asking to be a presenter in Niagara Falls. We've also had other requests from other groups whose applications were not on time. We decided that we would not make any exception for any groups. Consequently, we are sticking to—no pun intended—our guns here for the rule of consistency throughout the hearings throughout the province. The region of Niagara is not the only one that has requested. We had other groups. However, we refused the other ones and consequently will maintain our consistency.

Mr Kwinter: Mr Chairman, I should explain also. The 2 o'clock slot has been filled, but it was filled with a presenter who had presented on time but couldn't be accommodated. He had made his presentation on time; we just didn't have room. He was contacted to say, "There is a spot for you," and they will be presenting.

Mr Kormos: May I make a motion, please? I move that this committee sit an additional half hour and that the region be contacted to invite them, Ms Zimmerman or any other representative of the region, to be the final presentation today after the Taxpayers Coalition of Niagara.

I appreciate the explanation about the subcommittee, but this committee has the power to overrule the subcommittee. It can control its own process. So I so move.

The Chair: Mr Kormos, I will not entertain taking that motion on the floor. I have made a decision, and if

you don't like my decision, you'll have to appeal it to the Speaker. My decision is not debatable.

We are now adjourned.

The committee recessed from 1206 to 1302.

TOGETHER IN EDUCATION

The Chair: Good afternoon, everyone. I'd like to bring the committee back to order. Our first presenter this afternoon is the Elementary Teachers' Federation of Ontario, Waterloo local. Would you please come forward and speak your name for the record.

Mr Brydon Elinesky: Actually, there are three of us here and we represent a group that is known as Together in Education, from Waterloo. The groups that we represent in our submission are the Elementary Teachers' Federation of Ontario, Waterloo local, the Ontario English Catholic Teachers' Association, Waterloo unit, the Ontario Secondary School Teachers' Federation, district 24, as well as AEFO, who are not present here this afternoon. The three of us—myself, John Ryrie and Pat Cannon—will be making individual presentations as we go through this.

The people we represent are 75,000 students and more than 4,000 teachers in the region of Waterloo, and educational workers as well. The following presentation indicates our belief that the education system lacks the resources to provide the quality of education Ontario students deserve and expect.

The current Ontario Teachers' Federation public education campaign indicates that the great expectations of students, parents and the general public, plus great teachers, along with the government support, equals great results. We are here to encourage the government to provide the necessary support to reach this lofty goal.

Mr John Ryrie: If we look back at least two years, the Ontario government at that time proclaimed it would provide stable funding; it was a primary goal. Funding was going to be stable in a couple of ways. First, boards would be receiving the same amount of money per pupil. They would continue to receive similar amounts per pupil for the foreseeable future, thus creating a stable and level playing field in all boards across the province. This stability, once reached through increases in funding to boards who had historically received less per student, such as the separate and rural boards, would allow all boards to provide the same level of opportunity and support to all students in Ontario. At least on paper, this was a noble ideal that promoted the equitable use of social resources.

The other idea reflected in the concept of stable funding was that students, schools, boards and parents would know henceforth that funding would not be subject to fluctuations of political whim or the uncertainty of local or regional economic growth and development, such as were talked about by previous people this morning.

Through equitable, centralized funding, schools would be stable in the delivery of their programs, their level of

service and their staffs. On both counts the government is failing to deliver stable funding. On page 17 of our submission you will see a chart of the 1998-99 and 1999-2000 figures for 56 school boards, which was recently produced by the Ministry of Education. The chart clearly shows that reforms have not produced equal funding. In fact, the funding is tremendously unequal on a per pupil basis, and the differences are not cosmetic or trivial but represent a difference of millions of dollars to a public board such as our own, which educates 60,000 students. If we had \$100 more per student, for example, we'd have \$6 million more.

On the one hand, such differences are likely inevitable and reflect, to a degree, real differences in geography. This would certainly explain why many northern boards appear near the top of the chart. They have extraordinary transportation and heating costs before you even begin to count their other exceptional costs, such as communications and supplies as well as financial incentives to entice employees to work in remote environments.

On the other hand, only some of the discrepancies can be attributed to geography. Instead, the chart suggests these conclusions: (a) equalized funding, and equal student opportunity, to date is a social lie; (b) since June of 1995 the province has simply rearranged the haves and have-nots by replacing one form of inequity with another; (c) the gaps between boards are too large and pronounced to be closed by merely tweaking efficiencies, which was certainly the focus of the EIC as it went around the province fairly recently.

On January 13, the director of the Waterloo Region District School Board announced, via an interview reported in the *Kitchener-Waterloo Record*, that the board is looking at a \$5.2-million shortfall for 2000-01. This figure has been repeated at public budget forums as recently as February 3. To cope, the board is looking at further cuts to school staff and school programs. Basically it is looking to reduce what it offers to students. Logically, however, if the Waterloo Region District School Board had truly stable funding, it would have enough money next year to fund all the classes and programs the board has this year, but it doesn't.

This is not a short-term problem or an aberration. This shortfall is a problem that comes on the heels of seven years of cuts. In 1992-93, Waterloo spent \$6,700 per student. In 1999-2000 the same board is spending, by its own reckoning, \$6,100. The board has more students than ever before, and yet its income in 1999-2000 is millions of dollars less than it was several years ago. In fact, throughout the 1990s the public board in Waterloo has lost teaching positions, library and guidance positions, secretarial positions, custodial positions, dozens of consultants, senior administrators, middle management, small schools—the list goes on and on. In the back of the document you have a list from 1996, which shows just the examples from one year of cuts.

The obvious question is: Where is the stable funding that has been promised? Unless the legislative grants increase in March, stable funding is just a political myth,

a fantasy assuagement of the anxiety of parents, who want the best for their children and thought that provincial funding would deliver it and continue to deliver it.

What one sees in Waterloo and other boards is not stable funding but rigid and inadequate funding. One could also call it static funding or stagnant funding, or perhaps even strangulation funding. Simply put, the funding model fails to provide the support required to create a true educational stability.

First, the model ignores inflation, as someone also pointed out this morning. Yet if the Waterloo Region District School Board were receiving a modest 2% increase, the board would also be receiving an additional \$7 million dollars, which would be well over the predicted shortfall. By not building in escalators, the funding model continues to reduce educational supports for students. When boards have no choice but to pay more for heat, light and supplies, something else has to be lost or reduced. Ironically, in refusing to add funding to compensate for inflation, the Ministry of Education constrains schools and boards in a way that neither the business community nor the government generally constrains itself.

Secondly, the funding model is blind to reasonable salary expectations. Nurses, auto workers, even Ontario government employees, have all received pay increases of 2% and up, some even retroactive to 1998 as the nurses recently got. But even though teacher salaries have been essentially frozen for seven years, since 1992, the ministry through its funding model continues to expect educators to fund any pay increases by losing positions and taking on an increased load such as a seventh secondary class. The funding model only haphazardly supports the long-standing structure of six of eight for secondary; for the most part, the funding formula presumes an average workload of 6.5 or 6.67, which is a destabilizing pressure. One need only review the last two years at a few boards such as Durham Public and Dufferin-Peel Catholic to see and understand the devastating effects of assigning additional classes to full-time high school teachers.

1310

When the ministry first developed the funding model, many critics said it was too simplistic, that no simple formula could possibly apply equally well to all areas of Ontario or even to two commensurably identical boards. Nevertheless the government claimed that equal funding would fix discrepancies and put everyone on an equal footing. This has not happened. The most painful consequence of all the rush and confusion and ministry abstract policies has been the reduction of educational standards in many boards of education including the Waterloo Region District School Board.

Fewer dollars has meant fewer supports for students, not better or enriched opportunities. In this sense the ministry, ironically, has not demonstrated the accountability it has demanded of everyone else, and the real goal has not been the improvement of education, as Bill 160's title promised, but the squeezing of the more

extensive and sophisticated boards, such as Waterloo, into a plainer, barer and, without doubt, cheaper box.

What we would like the ministry to do is provide truly stable funding. Truly stable funding would recognize inflation. Truly stable funding would treat educational employees no worse than other employee groups in both the private and public sectors who have been receiving pay increases and improved working conditions for the last several years. Truly stable funding would recognize the real complexities of geography and school-building history, especially in large boards. Truly stable funding would map out the stable needs that are required to support students everywhere and then fund those needs, instead of imagining a mythical norm and then forcing boards to make ugly educational amputations to achieve the mythical ideal.

Finally, scapegoating boards, teachers and students during a period of unprecedented growth, development and success is a major contradiction. If school failure were so rampant and truly responsible for provincial uncompetitiveness in a global economy, our whole economy and social structure would be failing miserably. Instead, Ontario is leading the G7 nations and Canada. Most of the employees fuelling this growth were educated in a period of substantially higher support for students. Concomitantly, decades of rigid underfunding of California schools ruined that state's educational infrastructure. Years of underfunding of schools in Great Britain has also devastated their system. More money is certainly not the only answer to any deficiencies in our present system, but it is certainly part of the answer. Bill 160 itself accepted this idea in pushing so strongly for improved funding for separate and rural boards.

What we would like the ministry and current government to do is ensure adequate funding so that boards can stop making cuts that in the short and long terms simply reduce the viability of the job of teaching and in turn the opportunities offered to students.

Ms Pat Cannon: I'd like to deal with a couple of specific areas.

The early years: There is a great concern for the way funding is allocated for early year classes, being kindergarten and JK, in schools. Because the children are included in the 25:1 ratio for the aggregate count in a school, we end up with a couple of areas of concern.

First, it is extremely unreasonable to think that a class of 25 or more three- to six-year-old children is a manageable group. There are, however, many situations where this is the case in Waterloo region. To accommodate these numbers there are many blended or split JK-K classes, which would indeed have this age range in them. This becomes an issue from purely a safety aspect. One adult supervising that many little ones, let alone attempting to teach some academics, would have his or her hands full. Because funding is limited, an educational aide is not hired to assist until the average number of students in these classes for the separate board exceeds 23. For example, in a school where there are 52 JK-K students, one class is kept around 23 and the other would

have 29 and receive an educational assistant to assist for that half day. This is the current practice, although it can hardly be considered an adequate resolution to the concern.

Research has shown us that smaller numbers of students in the younger grades has a positive effect on their ability to learn because of the increased amount of individual attention they receive from the teacher. Consequently, many elementary schools endeavour to reduce the number of students in early years classes, if they possibly can, by rearranging the numbers of children in the other classrooms. Accommodating lower numbers in JK and K classes has the detrimental effect of causing the rest of the classes in the school to be larger than the 25:1 legislated by the government. This puts added stress and additional workload on the teachers in the upper grades.

Second, the full-time equivalent per pupil amount of funding for JK and K students doesn't recognize and account for the double usage, and therefore high cost, of regular replacement of early years classroom equipment such as toys and games, outdoor play and gym equipment as well as the many learning activities and materials that are necessary for this age group, nor does it cover the cost of the large amount of consumable materials. Indeed, most early years teachers subsidize their students' classroom learning by purchasing many materials and activities with their own funds. This is often the only way the teachers can assure they will have the equipment or materials they need when they want them.

In a survey conducted by Environics for OECTA two years ago, they found that teachers spend an average of \$400 a year on their classes. You can be assured that the early years teachers would be spending at the higher end, contributing to that average. Most teachers don't mind buying special things for their classrooms. We just should not be depending on their contributions as a subsidy to the current funding situation.

Burnout is another issue. How is funding affecting the burnout level of teachers? This is a more complex situation, but the relationship is definitely there. Every week, we as federation leaders are seeing and counselling more teachers who are finding it harder and harder to deal with the multitudinous curriculum changes that have been downloaded onto classroom teachers over the last year and a half. They are expected to implement all the changes in every area of the curriculum, based on new and more difficult expectations for each age level. They are expected to evaluate the children's progress using an entirely new assessment model. Then they have been required to report on the progress on new report cards using faulty and defective computer programs which frequently have caused teachers to lose an entire class set of reports when a spell check was done.

Because of these problems, we find ourselves in a major dilemma. The teachers continue to require a great deal of in-service just to begin to accomplish some of these expectations. Normally, in previous years, this would or could have taken place on professional

development days that were scheduled for this purpose. We now have only four such days in an entire year. This is far too little time to manage the gargantuan task that is still ahead of us. We therefore must find some other way to deliver the necessary information.

Can it be provided through workshops during the day? This would seem reasonable at first glance, but there is too much information to be dispersed, causing too many teachers to be out of their classrooms too much of the time. To further complicate matters, there are often not enough occasional teachers available to cover classes for the teachers receiving professional development. As well, in many cases there is not enough money provided in the budget to pay for occasional teachers to cover classes for professional development to take place during the workday. Conversely, the classroom teacher would actually prefer to be with their own class, teaching their own students, during the day. PD opportunities should be available when they don't conflict with so much classroom time. It would seem reasonable to schedule more PD days.

More schools and boards are now scheduling PD opportunities after school. This may be the answer to the cost issue, but we now enter the teachers' own time, and how much of it is actually available with all the planning, organizing and marking that needs to be done. Teachers generally spend three to four hours of additional time beyond the six or seven hours at school. The added pressure this expectation brings increases stress in their lives to a very high degree.

Split grades are another problem, and one that is further exacerbated for teachers when they are responsible for having two grades within their classroom contingent. There is currently not enough funding to allow for greater flexibility in the arranging of classes to eliminate this split grade situation. Teachers who have split grades are now responsible and accountable for knowing, teaching, evaluating and reporting two full grades of curriculum. There is not time in one's day to fit in all that is necessary for a single grade, let alone two.

Teachers continue to take on more and more, and now many of them are starting to break under the pressure. Teachers with the Waterloo Catholic District School Board have one of the highest LTD experience ratings in the province. In the private sector there is a claims rate for LTD of about seven per thousand claims. In education the Ontario rate is about 16 claims per thousand for 1998-99. With the Waterloo Catholic District School Board the rate was almost 30 per thousand. In education as well, over 50% of the claims are stress-related. Inadequate funding is creating increased workload situations that are proving to be hazardous to teachers' health.

From the Catholic perspective, as previously outlined in this report, there are many similar concerns about the effectiveness and inadequacy of the funding model for the Catholic boards as well. While it is true that some Catholic boards are receiving more money than they did before, the previous amounts were much lower than what

public boards received. Because of the long history of lower funding for Catholic schools in the province, many of our schools have been unable to maintain physical and educational equality with their public school counterparts, let alone improve these standards. Even today in Waterloo region there is a large discrepancy in the amount of money received per student by the Catholic versus the public board. In total it would make an over \$3-million difference if we were funded at the same level as the public board.

1320

In Waterloo region, the Catholic schools have been without the services of teacher-librarians for the last six years. We have been unable to fund special qualified itinerant art and music teachers for over 10 years and, to my knowledge, we have never had drama, physical education or guidance teachers in the elementary schools even on an itinerant basis. Our base of resource people at the board level, such as consultants and special service teachers, has been steadily declining over the last 10 years. Consequently, associated programs have deteriorated or disappeared altogether.

We have had a reduction of department heads in our high schools from over 100 several years ago to a total of just 40 today. All these reductions in staff have a huge effect on individual teacher workload and program delivery, as many of the tasks have been downloaded on to their shoulders.

Ongoing costs continue to rise, and current funding does not meet the regular class expenses. With the recent wholesale changes to the curriculum, there are no longer sufficient textbooks and learning materials in classrooms to meet the needs of children in the schools. Texts for intermediate geography, history and science average \$40 each. Most schools are unable to purchase enough texts for every student in every subject area. They often have to share texts by alternating days that students can take them home or through creative scheduling when there are several classes of one grade. This would allow all students to have some opportunity with a textbook; however, it hardly provides the quality education we have always delivered in the past.

It becomes increasingly apparent that the funding model is too restrictive to accommodate the local variations and needs of individual school boards. More flexibility to accommodate local and district needs is necessary.

Mr Elinesky: Another area we would like to address is special needs, in particular ESL and special education.

As pointed out in the recent EIC report, Waterloo, like many other school boards, is seriously underfunded, especially in the areas of special ed and ESL. Waterloo has one of the highest rates of settlement by recent immigrants to Canada and therefore the needs for ESL are even more immense.

There is also a significant number of students who come to our schools from non-English-speaking homes. The Mennonite population of Waterloo is a prime example. We have many students entering kindergarten

and grade 1 who do not speak English and who are not eligible for ESL support because their families have been in Canada for many years. This compounds the problem of high numbers in our primary grades, as discussed earlier, as our teachers try to accommodate the special circumstances of these non-English-speaking students.

Special education funding for our neediest students is also dangerously low. Over many years, the board has developed special education programs to meet the needs of our students. The lack of funds in the current model has forced the board to cut programs drastically. As reported by school business officials across the province, the boards are spending \$100 million more on special education than they receive. The Waterloo Region District School Board is no different as they spend nearly \$2 million more than they are allocated by the funding model. This does not include transportation costs of an additional \$3 million to transport those students to special classes.

The Waterloo Region District School Board has attempted to cope with the situation by overbudgeting for ESL and special education. As a result, serious cuts have been made in spending for administration, school operations, computers, textbooks and so on. Boards have come to the end of the line for cuts in these areas. As pointed out earlier, the board is now in the untenable situation of trying to maintain quality but with dwindling funds to provide programs. Our youngest, neediest students are at risk. Not to address their needs when they are entering the school system is to condemn them to failure, and the resultant cost to society will be huge.

As a result of having insufficient funds for vital programs and materials, the level of fundraising in our schools is at an all-time high. In years gone by, schools spent money on fundraising for perceived extras such as creative playgrounds. Now, students and school councils are on the streets for a different need. Let me quote from a recent newsletter sent home by a local school council: "Parents are fundraising more than ever just to cover the basics. Fundraising now goes to replace broken and outdated equipment and to purchase text books and wall maps."

In conclusion, there are many issues that we have pointed out in this document. It is our sincere hope that you will look at our recommendations as positive suggestions for improving the quality of education for our most important resource, our children. Teachers want to do the best job possible. They want our system to work well. But they can't do it alone; they need the tools, resources, both human and material, as well as an environment that will help encourage and develop a positive love of learning in our students. You can help by recognizing that some changes are necessary in the funding as well as expectations for the curriculum in order to foster this development in our province.

As a summary of recommendations, we would like to see that the funding formula takes into account inflationary pressures such as, but not limited to, heat, hydro and salary increases; that the funding formula adequately

funds early education programs such as junior kindergarten; that there be a reduction in class sizes for all grades, particularly primary classes; that there be a cap on maximum class sizes at all grade levels; that the funding model be adequate to allow a reduction in the number of split classes; that there be adequately funded professional development opportunities for teachers during the regular workday; and that the special education, ESL and learning opportunities grants be increased to meet the needs of our students.

The Chair: Thank you very much. We have two minutes per caucus, and I'll start with the official opposition. Mr Bradley.

Mr Bradley: Thank you very much. You have painted an interesting picture of what is happening in the Waterloo area. I suspect that many areas in the province are experiencing the same thing.

I guess we have to look at the consequences of this for the students and for society as a whole. The funding model you have talked about does present a genuine problem. But I want to deal with one phenomenon that is happening at the present time, and that is the number of teachers who are retiring, not in the year they can retire, not in the month they can retire, but on the day they are eligible to retire.

It seems to me that you are losing an inordinate number of teachers who are, as you say, the mentors to others, who potentially provide that balance, because you need some good younger teachers and some teachers with experience who have been there for many years. To what do you attribute the fact that people are now getting out of the profession the day they can get out, as opposed to years gone by, when they taught for many years beyond when they would be eligible for retirement?

Ms Cannon: I think part of it is a true reflection of the burnout that teachers are feeling. As I mentioned in my section, the workload has increased for teachers. The expectations on teachers now to provide more and more services as well as fund some of these things themselves are far too great for people to consider, at that point in their careers, that they should still be doing work to that degree. There is certainly a sense of resentment at a government that does not listen to the needs that are being expressed to them on a regular basis. When you get that kind of response to suggestions, and none of it is taken into account, there is a sense of despair that a lot of these people feel, and no longer feel they have a commitment to a system that isn't listening.

The Chair: Thank you, Mr Bradley. Mr Kormos.

Mr Kormos: It's interesting that you came to Niagara to make your submission. I understand your complaint about the ranking of Waterloo region board, at 43. Take a look at Niagara. We rank 53rd. Holy cow.

I've been blessed, because at least once a month I get into an elementary or a high school. Over the course of years, because I have gone to the same classrooms with some of the same teachers, I have seen kids with special needs—and some of these needs are very dramatic, or very demanding. Let's put it that way. Teachers used to

have aides helping them out, but these kids have been a charade, as we all know, to that classroom education. Your average of a \$400 contribution per teacher—you pointed out that it's only the average. I know these teachers and have seen them taking stuff in at 8:30 in the morning. I think teachers are spending incredible amounts out of pocket. I suggest your figures are, dare I say, conservative.

I'm especially concerned about our kids with special needs, ranging from those more readily responded to, to the more—these kids are just getting swept aside. Teachers are paying a huge price, and the kids are paying an even higher price.

What's the response when you get MPPs into your classroom and you say, "Here, look for yourself. If you don't want to listen to this sort of submission, come into the classroom and look for yourself"? What's the response of MPPs when you do that?

1330

Mr Elinesky: It's interesting to note that we'll be inviting our MPPs. We have a meeting with them on February 25. We're inviting our local MPPs to come to class with us to see the situation.

The effect is twofold, actually, in having the students in the class. It's not only that those students aren't receiving the adequate teaching that they deserve to have for the special needs that they have, but also the effect it has on the teacher because then they are having to spend more time with that student in the class and therefore have not the time to spend with the other students. It's a Catch-22 between them. Both groups are then getting inadequate time.

Mr Kormos: One former MPP suggested that those kids with special needs have no business being in the classroom because they only detracted from—

Interjection: Name names.

Mr Kormos: Well, he's not an MPP any more.

The Chair: That's your time, Mr Kormos. To the government side, Mr Arnott.

Mr Arnott: Thank you very much for your presentation. I think you've done a very effective job of expressing your views. You would be surprised if I said I agreed with everything you had said, I think. But I do appreciate the fact that you've made the effort to come to the committee and I want to assure you that your views will be taken into consideration among all the presentations that have taken place over the course of these public hearings.

For my part, I want to say to Mr Kormos that I accept invitations to visit schools when I can and I would look forward to visiting a school in Waterloo region if I receive an invitation of that type. I know that Elizabeth Witmer has made time in her busy schedule recently to visit schools in her community, and obviously shares my viewpoint on that.

One statement you made that I want to ask you about is on page 6 of your presentation. "Bill 160 itself accepted this idea in pushing so strongly for improved funding for separate and rural boards." Technically, it

wasn't Bill 160 that provided additional funding for some rural and Catholic boards, but it was Bill 160 that empowered the government to bring in the new funding formula, which in turn provided equalized funding, which meant that many Catholics boards, if not most Catholic boards, would have received an increase in their per pupil funding compared to what they had been able to afford before, as was the case in many of the rural boards across the province. Certainly in Wellington county, the area that I represented in the Legislature up until 1999, the public board received considerably more funding per pupil than was the case previous to Bill 160.

I was just wondering, did the Waterloo Catholic board receive an increase in per pupil funding as a result of the new funding formula?

Mr Elinesky: Yes, they have.

Ms Cannon: Indeed they have, but according to the list that John was referring to, Waterloo public is ranked as 55th and Waterloo Catholic is ranked at 67th, with a \$144 difference. Unfortunately, that isn't on the page. We didn't have all the figures. We're way down here at the bottom.

So yes, indeed, we did receive some additional monies, but one might think, if we're talking equalized funding, that for a similar region both boards would have been receiving similar amounts of money per pupil. This makes almost a \$3.5 million difference.

Mr Arnott: I look forward to discussing this further.

Ms Cannon: It will be brought up.

The Chair: On behalf of the committee, thank you very much for your presentation this afternoon.

ONTARIO CHIROPRACTIC ASSOCIATION

The Chair: Our next presenter this afternoon is the Ontario Chiropractic Association. Could you please step forward and state your name for the record.

Dr Bob Haig: Good afternoon. My name is Bob Haig. I'm a chiropractor practising in St Catharines and the director of government affairs of the Ontario Chiropractic Association. With me is Mr David Chapman-Smith, who is general counsel of the Ontario Chiropractic Association.

The Chair: On behalf of the committee, welcome. You have 30 minutes for your presentation.

Dr Haig: We appreciate the opportunity to present to you today.

The main message that you'll hear from us today is that adding more funding or tinkering around with the health care system is not really going to be enough to solve the big problems that are ahead of us, that are ahead of the government. Really, the government needs to do three things.

It needs to completely rethink how it funds services and why it funds health care services.

It needs to make restructuring decisions and funding decisions based on outcomes. I mean best evidence of patient outcomes, what works, and I mean best evidence of cost-effectiveness, what works, and what works in the

most cost-effective manner, because we are all completely aware of the issues facing health care funding down the road from now.

The third thing the government needs to do, regardless of the historical silo funding that exists, regardless of what might happen with respect to federal funding for health care, regardless of what some people would call the antiquated provisions in the Canada Health Act, is to find some way to make the best possible use of non-physician practitioners if in fact the health care system is going to be restructured so that it works effectively for the people of Ontario down the road.

There's a brief before you. What we propose to do is not to go through the whole thing, but to go through the executive summary with you and then leave plenty of time for questions so that we can delve into specific areas of the brief that are of interest to you or other things beyond that.

I'll turn it over to David at this point.

Mr David Chapman-Smith: Good afternoon. Actually, to illustrate the second point Bob made, imagine the management of back pain. There would be many of you sitting there who would think the most cost-effective thing to do is to rest for a couple of days and take nothing because that doesn't involve going to health practitioners or, if you do go to a practitioner who says, "Go to bed for two days," that's much better than getting into drugs, getting into manipulation, getting into all sorts of other things.

It is now firmly established that the most expensive thing you can do in the management of back pain is to tell people to rest, because it promotes disability, both physical and psychological decline. There is a tremendous volume of evidence in the last 10 years and now clinical guidelines telling health practitioners: "Don't tell people to rest. Keep them moving. Keep them positive. There are certain things you can do like over-the-counter drugs and spinal manipulation that are good, but don't send them to bed." A lot of the common sense sort of things you might think about in the costing of health care are actually rather different at ground level.

The submission we've put before you is a little bit large and, as Bob has said, we're not going to go through the whole thing. Fundamentally, it covers two areas: first, health care policy, which is not your concern but is the background to our presentation today, and secondly, economic issues. What I have tried to do in preparing this submission is to, as you will see in the table of contents, give you relevant questions and areas, deal with them in a very succinct fashion and give you good references. So if you or policy people with you want to read about this afterwards, I suggest it does reward reading. It's good material. It's easy to get into.

You will see in the table of contents that there is a review of complementary and alternative medicine, which we see all around the world and which is here to stay. Two of the quotes I have in here are from the *Journal of the American Medical Association* and from the *New England Journal of Medicine*, both from leading

physicians saying: "This isn't a fad. This is a complete restructuring of the health care system and it's here for good."

Basically, patients want both. They know they want good medical care for certain reasons, but for chronic and lifestyle disorders and various other things, they're shopping around for various complementary forms of care. They want both. They haven't decided for one or the other. I needn't say much more about that to Mr Kwinter, because I know about his background in this area and the pressure he put on the CPSO to come out with the recommendations they did in favour of the integration of complementary care just a couple of years ago.

Then I look at: What do Ontarians and others think of chiropractic services? There have been good surveys done in the province now. If that interests you, that's covered in detail there. Who uses chiropractic services? The basic answer is, everyone across the population, but the details are there. How strong is the evidence of effectiveness? How strong is the evidence of cost-effectiveness? What savings could be achieved? That is the only section that I'll come back to, because that's of relevance to you.

Turning now to the executive summary, the first two paragraphs are what I call the health care background, and then we get straight into money. Bob has made the first point, that it's not a question of just putting in more funding; we really are at a point of history where we have to look at quality and restructuring.

(2) The rise of complementary alternative care has been significant. As I say, we've given you quotes on that, and I don't go into that further.

(3) Quality control and cost savings: The government must focus not only on funding services but also on assessment of their quality. There is a compelling need for evidence-based care and funding for services which have proven effective, cost-effective and accepted. Health economists, and this is Professor Manga and his team from the University of Ottawa, predict—and we give their most conservative figures here; in their full report you'll see they predict three levels, hopeful, likely, and in any event, and these are the "in any event" figures—direct savings of at least \$380 million year, and disability and other indirect savings of \$1.25 billion, if barriers to access to chiropractic services are reduced so that the number of Ontarians using chiropractic services for musculoskeletal pain doubles from 10% to 20% annually.

There are in fact two factors—the other one mentioned elsewhere in the brief—that are relevant here. One is the volume of patients seeking that form of service for those problems, and the second is doing it early. At the moment, over 80% of chiropractic patients have had their problem for six months when they finally pay out of their pocket to find chiropractic services, and during that six months, of course, many things have happened. They've used the other health care system, they've had disability. If you can get them to an appropriate service quickly, the speed is also relevant there.

It may be that some of you who have been sitting around these tables for a number of years still feel there is an element of major conflict between medicine and chiropractic and that the Ministry of Health is a little bit chary of getting near chiropractic. In fact, at ground level things have changed, thank goodness, for patients tremendously in the last 20 years.

Paragraph 4 draws your attention to the Chiropractic Services Review Committee Report. That's the Wells report in 1994, named after Tom Wells, who chaired it. That was a bipartite committee of the Ministry of Health. Their representatives were led by Bob MacMillan, an ex-OMA president and general manager of OHIP at that time, and it had a number of senior ministry reps. There were four OCA representatives, including Bob and myself. I can assure you that when that report came out after three years, at every level of the ministry every word had been approved, because it was saying some new things.

You'll see three of the recommendations here: "That on the grounds of effectiveness, safety, patient satisfaction and public acceptance ... chiropractic services should continue to be accepted and funded by OHIP." I think a lot of people in the ministry to that time felt it was just political pressure, but on policy reasons it was felt that that's now well established.

Secondly, "That the citizens of Ontario should have improved and genuine freedom of choice...." To achieve that, a number of barriers to access had to be removed.

Finally, of relevance to you, "That the current level of copayments for chiropractic services, particularly in a ... system where other services have no copayment, represents an inequitable barrier to access which should be minimized."

In paragraph 5, the funding of services: The government's decision last year to reduce funding from \$220 to \$150 per person per annum and to maintain funding at its frankly silly level of \$9.65—25 years ago, when chiropractic was brought into OHIP, the government funding was \$5 a treatment; it's now at \$9.65—is wrong in terms of cost. Substitution with chiropractic services will bring huge savings, but these services will not be used while patients are paying \$20 a treatment to get there.

And here I pause, because it has always seemed to me, in the work I do for the profession, that to advance its interests the OCA and I have to look at the public interest and have to look at better integration and maturity in the profession and coming into the health care system. One of the amazing things we see now is the average physician wanting to refer patients but unable to do that with a lot because it's such a financial burden to the patient. I even know of physicians in Ontario who have as a spouse a chiropractor who won't refer to their spouse because the patient can't afford the care. So the integration which is so much needed in the system is really being prevented for this cost reason.

1340

The second bullet, policy: The Wells report has recommended that the services should be improved, but

the user fee is now approximately \$20 per visit. I've just mentioned that. The breakdown is there. Actually, the real cost is the first visit, where you're having X-rays and all of that. It's a big shot of money straight off, and then 20 bucks a visit after that.

And it's wrong in the public interest, we assert.

The OCA recommendations of a financial nature to this committee are:

At a minimum, funding should be restored for chiropractic services to the level in the 1970s, namely, 2% to 3% of the OHIP provider services budget. This would increase access by reducing the patient copayment from over \$20 to less than \$10 per visit. The copayment was \$1 when in the 1970s chiropractic was brought into OHIP. The level of chiropractic during the early 1980s was between 2.5% and 3% of the OHIP provider services budget. Since then we've seen a huge growth in the profession, a huge acceptance of its services, many more patients coming, directly or on medical referral, yet it's a much smaller percentage of the provider services budget that is going to the profession. That, of course, is where the funding squeeze is.

Subsidiary points: the second one is restoring access to funded diagnostic imaging in hospitals. Everyone agrees this should be done, but it's been stuck in the ministry for a while.

Third, restoring access to funded lab services as necessary.

Fourth, making chiropractic services available in hospitals, primary care reform pilot sites etc.

The only other thing I'll direct your attention to before pausing for questions is the first of the three appendices. That is the executive summary of a report by the economists Manga and Angus. It could well be that you are assailed by many people arriving here who sit down and say, "Fund us; you will save money," that you are suspicious of the sort of figures being thrown around. How could you have such big savings through better use of a relatively small profession? Incidentally, there are about 2,200 chiropractors in Ontario today.

In the executive summary, page A2, paragraph 5, which, with your forbearance, I will take you through, there are some facts that might be surprising and will show why this is so.

(a) Approximately 95% of chiropractic practice is musculoskeletal or neuromusculoskeletal disorders: headache, neck pain, back pain etc.

(b) These disorders, which means things like arthritis and just idiopathic problems or injuries, are the second and third most costly categories of health problems in the economic burden of illness. Further than that, musculoskeletal disorders are the most important reason for activity limitations and short-term disability and are first in prevalence in chronic problems. So on every count, this is where the money is spent.

(c) Musculoskeletal disorders rank first as a reason for consultation with a health professional in Ontario and second as a reason for the use of prescription and non-prescription drugs.

I think (d) is significant. The poor and lower-middle-income groups and the elderly are low users of chiropractic because of the deterrent effect of high copayments, yet the prevalence of these conditions is highest in these groups.

Finally, (e), there is considerable empirical support for the cost-effectiveness and safety of chiropractic management of those conditions.

That is the essential underpinning of that argument. The full report, which is too long, and we haven't given it to you, can either be downloaded from the Web site, which is on the first page, or the association will be happy to provide a copy.

I hope I didn't bombard you with too much. We would welcome questions.

The Chair: Thank you very much. We have five minutes per caucus.

Mr Kormos: Why would the OCA maintain as its position the maintenance of user fees, having said what you say about chiropractic? And I don't dispute any of it.

Dr Haig: Perhaps we're caught up a little bit in the same game that the government is, and that is that it's easiest to tinker with what's there. Fundamentally what should happen is that chiropractic services should be included as a part of the health services provided by the government regardless of what form that takes, whether it's on a fee-for-service basis, the way a lot of health professional services are paid for now, or whether it's part of a CHC where chiropractors and physicians and everyone else are on a salaried basis, or whether it's part of the primary care reform. The fundamental point is that it should be there with everything else. I suppose it's just too much of a leap for us to think that the government would go that far.

Mr Kormos: If I accept your arguments in terms of it reducing overall cost and at the end of the day constituting a saving, and if I continue to believe, as I do, in my opposition to copayment—because you can reduce the user fee and that might mean that the deterrent it has will impact fewer people, but nonetheless it will still impact significant numbers of people. That was my concern.

Mr Chapman-Smith: Can I just make a brief comment? Important as it is to try and operate at a level of principle, we are surrounded by a real world also where, if the government here were to explore any other jurisdiction worldwide and any other payment system, there is some small user fee in there. So that's an additional reason for that.

When the second Manga report was prepared—the first one was prepared by the Ministry of Health, or for it, and funded by it, and we thank Frances Lankin and your party for the funding for that. That was an important report in 1993. The second one was commissioned by the OCA. At that stage what we put to Manga, and what in his report he put to the government, was full funding for seniors and those on social assistance and then a user fee under \$10 for the rest.

Mr Kormos: I appreciate that the Wells report dates to 1994. I recall that government. It didn't last much longer than 1994. That government was also plagued by huge deficits because of the recession.

I just wanted to express that concern. If the argument is a user fee because people, in principle, should bear part of the cost, fair enough. I disagree with that, but that's an argument. The other argument is user fees to provide a control on people "abusing" the system. To that—and if you've got time I'd like you to reflect—I say no, regulate the profession. Just as if you have doctors abusing their access to OHIP payments, although it's very difficult now because of the caps, if you have chiropractors abusing it and giving unnecessary treatment, deal with them within their own regulatory regime. Is that a fair proposition?

Mr Chapman-Smith: Yes, it is. There are some interesting issues here that I could get into for the next half hour, but to cut right to it—and a lot of the members of the OCA would not be happy to hear me saying this right now, as many members of the OMA wouldn't be happy to hear their reps saying it—in reformed primary care I think we're going to see a lot of salaried services. That's going to solve so many problems in terms of utilization rates, how you deal with patients and everything else, and the ability to use different professionals without the user fee.

Mr Kormos: Interesting that you say that.

1350

Mr Maves: I've seen the members opposite today kind of nod their heads in agreement with people who have come and called for increased funding support for home care, new drugs, long-term care, arthritis, nurses' salaries, hospitals, child care, secondary schools, elementary schools, including ESL, junior kindergarten, teachers' salaries, bureaucrats, welfare recipients' increased funding, special ed, developmentally challenged adults, colleges, universities, debt reduction, social housing and capital spending.

By my count, if we do all that, we're back to about an \$11.3-billion annual deficit. Thankfully, we've gone from that \$11.3-billion annual deficit to a balanced budget, largely through trying to tighten some of our spending, and through some tax cuts, which have helped to spur the economy and have actually increased revenues to the province and helped us get closer to a balanced budget.

My question, actually, is almost brought out by Mr Kormos's comment. Among all these things, number one, where does the additional expenditure on chiropractic services rank or fit in? Number two, related to that, you say there are direct savings of \$380 million. I've read it before. I've talked to a lot of chiropractors. Dr Taylor is very good at what he does. The savings from Manga and Wells I know about. On the same basis, does that \$380 million kick in right away? Does that kick in the same year we bring in funding or is that a couple of years down the road? How does that all work?

Dr Haig: That kicks in immediately. This is why I started the whole presentation by saying that the

government or the ministry needs to completely rethink how and why it's paying for things. The government is not going to save money if it pays more for chiropractic services but does not capture that savings anywhere. As long as the ministry only looks at funding in its little silos, that won't happen. It needs to take a bigger look. Just as if you replace some physician services with nurse practitioner services there are going to be immediate savings, if you replace some physician services and other health care services with chiropractic services there are going to be immediate savings.

Mr Maves: It has to be a replacement, not just an addition.

Dr Haig: It has to be an integration. You need to look from the top down and figure out how you get the best bang for the buck out of the pieces you've got on the table.

Mr Maves: To your credit and Dr Taylor's credit, you guys have been after this for quite some time and you've not been able to get the NDP government or our government to really move on this, despite the evidence. Why is that? Is that because of the silo mentality, the doctor-dominated mentality in the Ministry of Health? What is the rationale, in your view, because of that?

Dr Haig: It's not fair to say it's a doctor-dominated mentality. I use the term "systemic inertia." The Ministry of Health and the funding structures that exist are big and complicated and they've been there forever, and it is very difficult to change anything like that. I think we've all seen successive governments look and say, "We'd better see if we can do things differently and better." We're just supporting that concept. I'm completely convinced that if the government were to look at how we can make the best use of these services, they can find a way to do it.

Mr Maves: On that note, in your presentation on page 4 you say, "Making chiropractic services available in hospitals, primary care reform pilot sites, health service organizations...." Related to that, I would ask how your organization feels about the possibility of the province moving to rostering or group practices with doctors and maybe a nurse practitioner and a chiropractor and so on. How would your group feel if we moved with primary care reform in that direction?

Dr Haig: That's obviously a very broad question. I think David has already said that fundamentally it's a good idea to move to a more manageable form of delivering health care, one that removes some perverse incentives and puts in some better ones. It needs to be done in such a manner that you are using the best people for the job and making the most appropriate use of the people. The best examples are nurse practitioners, chiropractors and midwives. I'm not at all convinced that the process underway now is doing that.

Mr Kwinter: Thank you very much for your presentation. In your opening statement of your executive summary you say that the system doesn't necessarily just need funding, it needs "changing societal attitudes." I think that's the core of some of your problems. As you know, the medical profession 20 years ago openly de-

nounced chiropractic and called chiropractors "quacks." This attitude has stuck.

Let me give you an example. I sit on the board of a hospital in my riding. The physiotherapist came to a board meeting to say, just as a point of information, that two of her physiotherapists would henceforth be providing acupuncture as a treatment. She didn't need approval—they're a self-governing body—it was just information. The chief of medicine said, "There is no way that acupuncture is going to be practised in my hospital." The board was caught sort of unawares and we said, "We'll report back at the next meeting," and at the next meeting it was approved. Mount Sinai Hospital now has an acupuncture facility.

I think it's going to take time; I don't have to tell you. It was announced that the chiropractic college was going to be located at York University and immediately there were all sorts of people coming forward and saying, "It is absurd that you would in fact diminish the reputation of York University by having a chiropractic college on its campus." I think that is one of the problems and it's really the crux of my bill, which is to say that there should be freedom of choice for the doctor and for the patient to have access to those treatments that can be shown to be of help. It may not be the conventional way, but it is probably as effective as some of the conventional treatments. Do you think that's a valid statement?

1400

Dr Haig: Yes, I do think it's a valid statement, but I need to say that we're not talking about services in a profession that is quasi. The things you've said are problematic for us. You're right, they're political. When you look at the evidence of effectiveness and you base your decisions on that, it makes no sense, for example, that there's an acupuncture clinic at Mount Sinai but not a chiropractic clinic, if you look at it from a rational point of view. I do agree with what you're saying, that patients should have access to services.

Mr Chapman-Smith: Can I just add a brief rider to that. The point that I would draw attention to—and this is a difficult thing; again, without spending time, but I'm sure this will ring true to you—is that there really are very few people against the chiropractic college going into York University. By a huge majority, I think 68 to 13, the senate approved it in principle, but as soon as it was done, the few remaining sword-rattlers in political medicine get to work and create all this fuss.

Let me give you one example that you will have read about in the press recently. You have probably read that there's a woman who's alleged to have died following a chiropractic neck manipulation. There's been a press conference, litigation, everything else. Dr Murray Katz from Montreal, who has fought the profession for 30 years with money out of the United States, got to the coroner's office—and I know this through speaking to coroners; and there's not going to be a coroner's inquest in this, which is what he was pushing for to get months of bad news—got the name of the family of this woman who died years ago two weeks after seeing a chiro-

practor, persuaded the family to file litigation and set up a news conference, all of this to help oppose the entrance of the college into York University, to give bad press. I speak to so many physicians who are irate about it all, but that's not what you read in the press.

This doesn't invalidate at all what you're saying because it's perceptions that count, but really—and I know a little bit about this having a wife who's both a medical doctor and a chiropractor—the level of acceptance now is extremely high, based on evidence and interdisciplinary guidelines. Throughout the world now there are well-established guidelines that for the average patient with back pain, spinal manipulation and early activity is as effective as anything and that you should be seeking skilled manipulation. So there are wonderful things happening, but still there are these closet problems and it will take about another 10 or 15 years to get the final ones out of the way.

The Chair: Gentlemen, on behalf of the committee, thank you very much for your presentation this afternoon.

TAXPAYERS' COALITION NIAGARA

The Chair: I've just been informed that the presenter for 3:30 is in the audience, so with the endorsement of the committee, we'll proceed with the presentation from the Taxpayers' Coalition Niagara. Would you please step forward and state your name for the record.

Mr Ian Fielding: My name is Ian Fielding.

The Chair: On behalf of the committee, welcome. You have 30 minutes for your presentation.

Mr Fielding: I really don't intend to read what we have written, but I'll paraphrase some of it.

The taxpayers are fully supportive of the present Ontario government and the many changes they have brought about to eventually attain a balanced budget.

One of the books I've read and listened to is by Roger Douglas. Three of his principles when he was turning around the New Zealand government—and he did do it—were, "No subsidies, no monopolies and no privileges," and he lived by those three principles, and they have worked.

The only problem we see now is that there is a possibility, because we are enjoying good times in the province, that we may go into a spending mode again. Then, if the economy changes, we'll be back to where we started. I would just like to say that we don't want to see this happen. I'm not saying no spending, but we don't want to go back to where we were. One of the subsidies I have mentioned here was actually offered to us. We find it disturbing that there is so much money out there that it can be offered to organizations like our own.

On the medical side of things, we really don't believe we can see OHIP being maintained in its present form. I don't think we can be all things to all people and just supply on demand whatever is required. As our technology grows, so does the cost of medical care within OHIP. We have a couple of examples here of abuses of the system by users. There are also abuses of the system

by doctors, and one of them is here as well. It was a personal one that happened to my wife.

Further on, under budget controls, the one thing that amazes me and our group is that when the original health plan was put together the federal government, I've been told, was funding 50% of it and Ontario 50%. I know we probably can't do much with it now, but why is it that when the government sets up systems like this, we don't have a binding contract that once the proportions are agreed to, those proportions cannot be changed in order for the federal government to make room for new programs and free up finances and it is just downloaded onto the province? In a business you certainly wouldn't enter a contract that didn't have any binding agreement. I don't see why we as a province should enter those agreements either.

Going back to OHIP spending, because of certain extended health care clients and because of the shortage of doctors in this area, there are many examples of people who go to the emergency room or a walk-in clinic—but sometimes the emergency room is their first choice—to get a prescription so that they only have to pay the \$2 drug fee rather than pay for something or wait for an appointment with a doctor.

On the education system, I'm very pleased to see the proposal that children have to attend their home school. I think we have to do a little bit more, because of the proposals that are now before us for funding for all groups. In the past it was only the public and separate systems, but I believe we are going to be faced with funding all the other groups' schools as well. So we're really going to have to come up with an innovative plan to save the taxpayer.

On downloading from the provincial government, one of the problems we found was that certain business people were claiming that the new tax loading was going to put them out of business. I know there were some inequities in the system, but we have to make sure, when we download to local authorities, that not only do we give them the tools but we make sure they use the tools so they don't put people out of business and therefore lessen the tax base again. We want to keep the tax base up so that everyone benefits from it.

1410

The Chair: Thanks for your presentation. That gives us about six minutes per caucus, and I'll start with the government side. Mr Maves.

Mr Maves: Welcome to the committee, Mr Fielding.

One of the topics you have touched on is the medical system. We have already had some presentations about how even though we're funding it from \$17.4 billion to over \$20 billion now, and it will continue to grow to at least \$23 billion in a couple of years, most people will say it's not enough, and doctors and nurses and hospitals will want more money and so on. There are more and more people—and I think you indicate this—who don't seem to understand that when they access the health care system they don't access it properly. They don't understand that even though their doctor basically says it's free, in fact it's not free. It comes out of our pocketbooks.

Have you got any solutions on how we can deal with that and make people recognize that there is a cost?

Mr Fielding: I remember one time that I came out of hospital and I actually got an invoice, which was mistakenly sent to me, for the cost of the procedures I received in hospital. That certainly wakened me up to the actual costs. We have to put some management tool in place to make the public access the system properly, so we're not paying \$500 for a visit to an emergency room—a figure that was stated for Scarborough General. It was in excess of \$500 per visit.

I really don't know how you do it. There are various ways to do it, but finding the most equitable way to do it is certainly a difficult question. It's probably much easier to manage the doctors' side of it and to make sure they do not abuse the system. The fear of a lawsuit against them for malpractice is probably one factor that drives the massive amount of testing that goes on. I know that the popular way of managing it is to put a cost on it. I'm not really against that.

Mr Maves: You mean user fees, or something like that?

Mr Fielding: I'm not completely against it, because if a person really can't afford it, it can be refunded to them or it can be waived. I think there's got to be something put in place to just stop the misuse of the system—not for somebody who's using it and really needs it.

Mr Maves: I remember, back when I turned 18, having an \$89 OHIP insurance bill for six months sent to me. I had spent lots of time in the hospital when I was a kid, so I thought this was a great deal, that I could get all that health care service for \$89 for every six months. That's gone by the wayside and of course we can't do user fees in Ontario or any other province, with the Canada Health Act. I know in Sweden they had a problem like we have here, and many other countries with public health care systems have had a problem with misuse. Sweden, the home of socialization, the grandest socialization experiment anywhere, actually had user fees for a while and it did reduce their use of the health care system. Those are just options that I've heard discussed here and there, and I thought that was what you were getting at with some of your comments.

One of the things you touched on was the federal-provincial split, and you're right: Some time ago there was a 50-50 health care split between the province and the federal government. Over time that has declined, especially between 1993 and 1998, where it declined dramatically. It became about 8% that the federal government is funding health care and the provinces were funding the other 92%. In 1999 they put back a little bit. They haven't even got anywhere near 1995 levels yet, but they've put back a little bit and their percentage grew to about 11%. Subsequently, we added more money and their share has dropped down to more like 10%. Do you see that as a problem and do you think we should have some kind of contract binding the federal government and ourselves in that funding relationship?

Mr Fielding: Well yes, I think if you're going to enter into a contract, enter into an agreement of any sort, it's not advisable to enter into an agreement where you have no control and the other person has all the control. This, from the outside, seems to be what's happening. I would like to think that if my company is negotiating with our parent company or with another company, when we sit down and negotiate a contract, that contract is binding. So I would like to think that if our government is negotiating a contract with the feds, they would ask the federal minister to sign it in blood before they walk away. Because if you take it now that we're supporting it 89% and they're supporting it 11%—that \$23 billion, the differential there, would be very attractive to the government of Ontario right now, to have that in their pocket, rather than not to have it.

The Chair: I'm sorry, we've run out of time. Mr Bradley.

Mr Bradley: Following on that line of questioning, would you agree, then, that any contract between the provincial government and the municipal government should follow the same principle?

Mr Fielding: Absolutely.

Mr Bradley: I'm glad to hear that it's a matter of principle on that.

Dealing with the problem of provincial debt, the taxpayers' coalition has been an advocate of elimination of debt, lowering of debt, dealing with the debt problem that we have, and has on many occasions stated how much, even probably to the minute, we pay in terms of servicing that debt. The provincial government of Mike Harris—and you extolled their virtues in here—has added at least \$22 billion to the provincial debt, part of it by making a decision to invoke tax cuts before eliminating the deficit, something that I think my friend across the way Mr Arnott advocated against many years ago, advised the government that they should in fact deal with the debt before they invoked any tax cuts. Do you believe that it would have been wise to try to pay down that debt and save the tax cuts for when we reached a position where we had eliminated the debts in the province?

1420

Mr Fielding: I'm not an economist, and I think if you asked half a dozen economists the same question you'd get half a dozen different answers.

If you're going to make the economy in the province better by giving tax cuts—and most economists agree that tax cuts boost the economy—then you're going to have greater revenue to pay down the debt. There's merit in both arguments. As I say, I'm not the expert. I just pay the taxes; you're the guys who spend them.

Mr Bradley: The Dominion Bond Rating Service, a very small conservative organization that watches governments such as the Ontario government and has not placed it at a triple-A rating—I think the last time we had a triple-A rating was 1989—said the government was yielding close to \$5 billion a year in potential revenue which could have been applied to debt reduction, in other

words, bringing the deficit down at an earlier point in time. So this \$22 billion or \$24 billion worth of debt accumulated under the Harris government would perhaps have been \$12 billion or something of that nature.

Wouldn't it have been preferable to reduce that debt and bring in the tax cuts later on, once the deficit had been dissolved?

Mr Fielding: Yes. I'm not saying I agree with everything the Harris government has done. But we certainly seem to be in a much better position today than we were in when they took over.

Mr Bradley: You mentioned New Zealand. I think we recognize that the people of New Zealand have turfed the government since the last election—haven't they?—and gone to a different government with a different point of view. But that's their decision to make.

You talked about emergency rooms. With the redirect crisis we have, where ambulances are told, "You can't show up at Greater Niagara General Hospital; you have to go to Welland County General Hospital," or something of that nature, that was not due to people going in needing a Band-Aid for a cut. That was due to a lack of beds available in the hospital. These were serious cases where they had to redirect because people were sitting in the hallways.

Would it not be desirable to try to deal with the problem of serious people sitting in the hallways by investing in the health care system, as opposed to eliminating funds from the health care system for that purpose?

Mr Fielding: From what I've been able to read in the newspapers—

Mr Bradley: I hope it's not the Standard.

Mr Fielding:—when the Bob Rae government was in, they closed the beds. I believe that Mike Harris didn't close any more beds; he closed the buildings.

Mr Bradley: And the beds with them.

Mr Fielding: But the number of beds overall was near enough maintained.

Mr Bradley: I don't think so.

The Acting Chair (Mr Ted Arnett): Thank you very much, Mr Bradley. In rotation now, the NDP caucus.

Mr Kormos: Thank you, Mr Fielding. I appreciate your coming by. You mentioned the government before the last government, the government of 1990. It's remarkable how much you have in common with the former leader of that party, the former Premier. He was a big fan of New Zealand as well.

Mr Fielding: It was a Labour government.

Mr Kormos: He was a big fan. He played that W-5 videotape to his caucus till we were all—you know how your grandkids know all the words to the Lion King because they've seen it? All the caucus were reciting the words along with the narration.

I just found it interesting—I don't think you and I would agree ideologically on very much. We might enjoy each other's company sitting down over a beer, but ideologically I suspect we're at opposite extremes. Were you as shocked as I was when the Harris government

proposed the multi-million-dollar subsidy for those NHL hockey teams?

Mr Fielding: Millionaires. I was one of the first people to phone and complain about it.

Mr Kormos: I hope so. I darned near swallowed my bubble gum. So did most people in the province.

Honestly, do you think you speak for most people in, let's say, Niagara Falls?

Mr Fielding: I can't say I speak for most people, but I think I speak for a fair number of taxpayers in Niagara Falls.

Mr Kormos: I appreciate that you are very critical—this HRDC boondoggle over the last few weeks is not new. Various sources have reported these sorts of wacko things—

Mr Fielding: Oh, no, that's not the last few weeks. This was a long time ago.

Mr Kormos: But the revelations about it, or at least the focus on it. I agree. I mean, there's some wacko stuff that's come out of HRDC.

Although I wish it wasn't the case, all four ridings have elected Liberals—my riding, Niagara Centre, Niagara Falls, St Catharines, down in Erie-Lincoln. Notwithstanding everything that you say, Liberals have been elected handily in the federal elections, and none of those Liberals are closet right-wingers. They're all liberal Liberals and they've all backed their government, even though there are times over the last three weeks that I've learned of—but that's not the point; that's me.

Interjection.

Mr Kormos: I'm serious. So here you are saying the things you do and pointing out some stuff that, again, I can't quarrel with. Some of the HRDC stuff, along with stuff—I like criticizing every political party. Why should anyone be immune from my wrath? But why is it then that people in our communities, knowing all the things that you know, still elect Liberals handily and support the Liberal government in Ottawa?

Mr Fielding: Well, I think as long as we—and, by the way, I was probably a bigger labour person in the UK than you are. I was in the union business much more than probably you—

Mr Kormos: So was Samuel Gompers.

Mr Fielding: But to answer your question, we've got a system here where we've got Preston Manning on one side and we've got the old Tory party on the other side. As long as that is maintained, Jean Chrétien will be there for as long as he wants to be. There is no alternative.

Mr Kormos: Who's your money on, Tom Long or Stockwell Day? Come on. Let me in on it.

Mr Fielding: I don't know.

Mr Kormos: A lot of help you were today, Mr Fielding. Thank you.

The Chair: On behalf of the committee, thank you very much for your presentation this afternoon.

Interjections.

CANADIAN CO-OPERATIVE ASSOCIATION, ONTARIO REGION

The Chair: Our next group this afternoon is the Canadian Co-operative Association of Ontario. Could you please come forward and state your name for the record.

I have to try to drown the other discussion going on at the same time here. Once you get the floor, I'll make sure that we hear you clearly.

Ms Cathy Lang: Thank you. My name is Cathy Lang. I'm the region manager of the Canadian Co-operative Association, Ontario region. I bring with me today George Alkalay, who's the principal consultant for Northfield Ventures, a company that has worked quite a bit with farmers in Ontario setting up value-added production through co-operatives and, in particular, Farm Fresh Poultry Co-op, Newgeneregg Farmers Co-operative and the Progressive Pork Producers Co-operative. I also bring with me Ron Voortman from Brantford, a pork producer and a founding member of the Progressive Pork Producers Co-operative.

The Chair: On behalf of the committee, welcome. You have 30 minutes for your presentation this afternoon.

Ms Lang: We do have a written presentation which you can follow along with, and a little bit of background material on co-operatives and on the Canadian Co-operative Association.

We're appearing before your committee today on behalf of CCA Ontario to reaffirm the important role that co-ops play in the Ontario economy and in Ontario communities. We also wish to express our serious concern about the impact of proposed new fees and/or assessments to which co-ops will be subject under a draft funding proposal—that's outlined in Appendix 1, the part that relates to co-ops—released by the Financial Services Commission of Ontario in the fall of 1999. Our view is that the government should find ways of reducing the regulatory costs, a goal which CCA has been actively pursuing with staff of the Financial Services Commission over the past two years, rather than finding ways of recovering the costs of over-regulation.

We believe the government should take the opportunity in its upcoming budget to ensure that co-ops can continue to make their valuable contribution to Ontario.

1430

A little bit about the Canadian Co-operative Association. We're an association of co-ops in Ontario that provides a common voice for 1,500 co-operatives and credit unions in the province. Together, these co-ops and credit unions have more than two million members, hold assets in excess of \$15 billion, and provide paid employment for nearly 10,000 Ontarians. Our members include Ontario's major co-operatives and co-op federations, including Gay Lea Foods Co-operative, GROWMARK Inc, the Co-operators Group, Ontario Natural Food Co-op, Credit Union Central of Ontario, and the Ontario region of the Co-operative Housing

Federation of Canada. So we represent a very broad and diverse group of co-operatives and therefore their members.

The CCA is also appearing here before you today on behalf of many of the newer agricultural and rural co-operatives, as yet unaffiliated with our federation, who are concerned about the impact of FSCO's funding proposal upon their ability to raise funds from their member investors. These co-ops include many of the new generation value-added processing co-ops such as Newgeneregg Farmers Co-operative, Progressive Pork Producers Co-operative, Seaway Valley Farmers Energy Co-operative, and Farm Fresh Poultry Co-operative.

I'm now going to pass the floor over to George Alkalay, who will read through the rest of the presentation.

Mr George Alkalay: I'd like to talk a bit about some of the background to Ontario co-ops and the legislative and regulatory environment that governs them.

Co-ops in Ontario are incorporated under the Co-operative Corporations Act and are governed by that act. As corporations, co-operatives are subject to many of the same regulatory and filing requirements as business corporations incorporated under the Ontario Business Corporations Act, and as not-for-profit corporations incorporated under part III of the Corporations Act.

The Financial Services Commission of Ontario, colloquially known as FSCO, is the body which is responsible for the incorporation and regulation of Ontario co-ops. As part of its recent restructuring, responsibility for the regulation of co-operatives has moved from the Ministry of Finance over to FSCO. FSCO is an arm's-length agency reporting to the Minister of Finance, and in Appendix II you'll see a description of its mandate.

Regulation of co-operatives represents only the smallest part of FSCO's regulatory jurisdiction. The regulatory jurisdiction includes pensions, insurance, loan and trust companies, credit unions and mortgage brokers. Co-ops are less than 1% in terms of the dollar value of FSCO's total budget and the services they provide.

In accordance with the mandate given to it by the government, FSCO is moving toward full cost recovery. In its current funding proposal, which applies to all the sectors within its jurisdiction, that funding proposal is guided by the principle of full cost recovery with no cross-subsidization of costs among the sectors it regulates. In other words, the principle is that pensions pay for pensions, mortgage brokers pay for mortgage brokers, and co-ops pay for co-op activity.

Compared to the costs associated with the other sectors it regulates, FSCO's costs associated with co-ops are truly negligible, amounting to approximately \$532,000, according to FSCO's initial proposal and, following discussions with FSCO staff, apparently no more than \$350,000 in costs. We understand that this is a very small piece of the overall fiscal responsibilities of the government. The precise costs of co-op regulation through FSCO have been difficult for staff to determine,

in part because FSCO is still restructuring its internal operations. There has been a lot of restructuring over the last three or four years there.

I would like to set out some of the principles for cost recovery. From the outset, we want to make clear that we are not particularly seeking any special privileges for co-operative businesses or not-for-profit co-operatives. We believe that co-operatives can prove themselves as efficient, viable enterprises in a fair and free marketplace and that they do have a unique yet parallel role to play in relation to other forms of business and social enterprises.

However, in determining what fees to charge to co-operatives, it is essential to consider the marketplace impact of the proposed fees and assessments and how that impact relates to the stated public policy supporting economic growth and efficient public-private provision of services. Co-operative businesses and not-for-profit co-operatives function within the same environment as other businesses and not-for-profit corporations. Particularly in the case of co-operative businesses, differential regulatory costs could place co-operatives at an unfair competitive disadvantage to other types of business.

The CCA is not opposed to government recovering the costs of the services it provides to the co-operatives directly using those services. The CCA does, however, wish to suggest that the following principles should guide any such cost recovery.

First of all, recognize the important contribution that co-operative enterprises and not-for-profits make to Ontario's economy and social infrastructure: \$15 billion, as Cathy mentioned a few moments ago. That's an important piece of the economy.

Ensure that co-operative businesses are not placed at a disadvantage to other forms of private enterprise, and that not-for-profit co-operatives are treated similarly to other forms of social enterprise.

Take into account the impact of excessive costs of co-op regulation vis-à-vis the public policy, which is that of supporting business and job development in Ontario. Excess costs of regulation have a direct impact upon jobs and business growth.

Ensure that the costs of regulation are commensurate with the significance of the regulatory objectives to be achieved. That's almost a paraphrase of the preamble of the Ontario Securities Act, which always talks about the fact that there are certain regulatory costs, but when you measure what those costs are, you want to balance them against the objectives being achieved. If there's a compelling reason for regulation, then it might justify a certain cost imposed upon the sector, but you want to make sure those regulatory objectives are compelling.

Distribute the costs of regulation in a fair and equitable fashion among co-operatives requiring the regulatory services of government, with consideration given to the regulatory costs incurred by other forms of business organization, and indeed of non-profit organizations. It's the issue really of a level playing field. We want to be treated the same as everybody else.

Let's compare fees. If you take a quick glance at the table down below, you'll see the extent to which FSCO's new funding proposal will place co-operatives at a competitive disadvantage relative to other businesses and not-for-profit corporations. For there to be such a differential in fees, there must be some rational basis in the type of regulatory activity required. Instead, based upon our discussions with FSCO staff to date, it appears the primary reason for the differences in fees is to be found in the lower volume of business handled by FSCO compared to either Consumer and Commercial Relations or the Ontario Securities Commission.

If I can just walk you through this table very quickly, in the first column you have the current fees that co-operatives are charged. The second column outlines the proposed FSCO fees. The third column outlines what the CCA is proposing as a reasonable balance. The fourth and fifth columns show what business corporations are charged and what not-for-profit corporations are charged.

For incorporation, co-ops currently pay \$285 for a for-profit co-op compared to business corporations that pay \$330. We're suggesting they should pay the same amount, so increase the fees by \$45. I suspect there aren't too many people appearing before you asking for increased fees, but we think that is reasonable. FSCO is proposing a \$1,000 fee for a service that's essentially the same as a business corporation gets.

The same issue with non-profits: Currently co-ops pay \$135 versus other non-profits that pay \$155. The FSCO proposal calls for an increase to \$500.

1440

Offering statements: This is really one of the key areas, because it's one of the areas where there's the greatest degree of regulatory intervention, and the greatest costs are imposed upon co-ops. Currently, co-ops pay a nominal fee of \$50. Under the FSCO proposal, co-ops would have to pay \$1,500 plus 0.25% of the face amount of an offering statement. What that means is that a co-op seeking to raise \$10 million would have to pay \$26,500. It's important to note that the co-op going out there saying, "We want to raise \$10 million," might raise \$7 million. They're still paying the fee based on the face amount, the maximum of what they want to raise.

If you look at what business corporations pay, they pay an initial fee of \$1,000 plus 0.04% of the amount actually raised. So a corporation going out to raise \$10 million would pay \$4,000, and then the initial fee of \$1,000 would be deducted. They would be paying \$3,000. For a co-op and a business corporation both going out to raise \$10 million, the business would pay \$3,000 and the co-op would pay \$26,500 under this proposal.

Mr Bradley: That's not fair.

Mr Alkalay: That's why we're here.

That's an issue, particularly when you look at the fact that when business corporations are filing a prospectus with the Ontario Securities Commission, they are going out to the broad public. When co-ops file an offering statement they are for the most part going out to their

members, who are intending to use the services of the co-op and who have inside knowledge about the business of that co-op.

There are a number of other fees that FSCO wants to go through. I won't go into detail. The one that is notable is that for filing financial statements they want to charge \$250 on an annual basis. All co-ops that issue securities are required to file financial statements annually. We don't have a problem with that requirement. No other corporation has to pay to file their financial statements. Obviously, if you want an incentive to regulatory compliance, do it for free. If they want to charge a late penalty for not filing them, we're certainly open to that idea.

Finally, on top of everything, FSCO is suggesting that there be a base assessment or base regulatory charge of \$750 a year on co-ops with assets of less than \$5 million, and \$1,500 a year on co-ops with assets of more than \$5 million. Essentially what we're talking about is a capital tax.

What's the impact? We believe the proposed new fees and assessments will have a chilling effect on new co-operative development and will create unnecessary and unfair barriers to the growth of existing co-operatives. In addition, the burden of proposed fees unduly falls upon agricultural and rural co-operatives and has a particularly onerous effect on start-up co-operatives in which agricultural producers are seeking to add value to their commodities. Taken together, in the past year alone these new agricultural and rural co-operatives have filed offering statements with FSCO with an aggregate value in excess of \$45 million. That is \$45 million coming from farmers and being recycled back into rural communities.

Under the proposed fee structure, four of these co-operatives would have been required in aggregate to incur approximately \$120,000 in fees for filing offering statements and an additional \$8,000 in other fees and base regulation charges, representing nearly one quarter of the total annual budget of the co-operative section of FSCO.

The Ontario government's efforts to support the diversification of farmers' income through value-added strategies should be complemented by the regulatory policies and practices of its agencies. FSCO's draft funding proposal is inconsistent with the broader public policy objectives of supporting value-added agricultural co-operatives and will discourage the start-up and growth of new farmer-owned agricultural businesses in Ontario.

It goes without saying, and I'm sure all of you here fully appreciate the fact, that agricultural businesses typically operate in highly competitive environments, with narrow margins, and are often subject to the volatility in profits characteristic of the global commodity markets in which they are active. Regulatory fees, along with the expenses associated with complying with the progressively more stringent regulatory requirements imposed on co-operatives over the past five years, are likely to have a substantially greater impact on the

agricultural sector than on the broader financial services sector, which is the client base for most of FSCO's activities.

In order to remain competitive in the marketplace, it is critical that agricultural co-operatives be adequately capitalized. Fees equivalent to 25 basis points on the amount offered by co-operatives, which may translate into 50 basis points or more on the amount actually raised, will act as an incentive to rely upon external debt financing rather than member equity. Instead of going to their members, co-ops might say, "Let's just go to the bank." An increase of 50 basis points in the cost of equity, when added to the costs associated with the preparation of offering statements, will make outside debt considerably more attractive, particularly to established co-operatives. This is not in the long-term interests of either the co-operatives themselves or their member investors.

The focus we would like to see the government taking is on regulatory streamlining and cost recovery. As stated previously, we understand that FSCO needs to recover the costs of its regulatory activities and we are working with staff to determine how best to accomplish this.

At the same time, we wish to continue to seek ways of reducing the overall costs of co-operative regulation. Much progress has been made by FSCO and the Canadian Co-operative Association over the past year in clarifying and streamlining the regulatory process for co-operatives. The efforts of FSCO in this regard are very much appreciated. By continuing to streamline the regulatory process, we believe that FSCO can achieve further cost savings and deliver an improved level of service to co-operatives. We must make sure that the level of regulation imposed on co-operatives does not in itself create costs that other forms of business and social enterprises do not have to bear.

The CCA believes that this regulatory streamlining should take place before instituting the proposed new fees, not afterwards. In order to ensure that FSCO's cost recovery process can start in the new fiscal year, we are proposing that new fees, equivalent to those to which other corporations are subject, be immediately levied on co-operatives. We also have some further, more specific suggestions for exploring alternative strategies for reducing the costs of co-operative regulation, and we indicate some of these below.

With respect to incorporation costs, we acknowledge that even after streamlining the regulatory process, FSCO's lower volume of incorporations simply may not permit it to obtain full cost recovery while enabling co-operatives to enjoy the same fees as other types of corporations.

If that proves to be the case, we would suggest that serious consideration be given to transferring responsibility for co-operative incorporation to the companies branch of the Ministry of Consumer and Commercial Relations, which may well enjoy substantial efficiencies due to the volume of incorporations they handle each year. This would also eliminate the unnecessary duplica-

tion involved in sending information on co-operative incorporations to MCCR.

With respect to offering statements, it's a bit harder to find a ready solution to the fees associated with the filing of offering statements, but here too we believe that there are some approaches which can make some sense.

Over the past five years co-operatives have been subject to increasingly stringent requirements for the disclosure provided to member investors. The CCA has worked closely with FSCO staff to ease some of the burden associated with these more stringent disclosure requirements.

It should be noted here that the regulatory regime governing offerings by co-operatives under the Co-operative Corporations Act has been generally acknowledged to be less stringent than that governing prospectuses filed by business corporations under the Securities Act. The less onerous regulatory requirements for co-operatives are justified by the generally non-speculative nature of co-operative securities, the limited scope of their distribution, the absence of established secondary markets and their comparatively lesser complexity. Put very simply, members invest in a co-op to get a service, to get their product marketed and to add value to their product. They're not doing it in order to speculate on publicly traded securities. If the farmers in Farm Fresh wanted to get the highest return for their money in the simplest way possible, they might have gone out and bought shares in Maple Leaf. They did not do that, and there was a reason for that. They see the co-op as an extension of their farm business, and I think the same is true of Progressive Pork Producers.

Accordingly, one would expect that the costs associated with filing offering statements would generally be less than those associated with filing prospectuses. However, in part because of the lower dollar value of most co-operative offerings, FSCO's funding proposal would actually institute fees that are more than six times higher than those faced by business corporations issuing securities.

If the costs incurred by FSCO in reviewing offering statements do not permit the adoption of a fee structure roughly similar to that which publicly traded corporations are subject to, we would recommend that various mechanisms be examined for reducing these costs.

Possible options, all of which would require further consultation with the co-operative sector, would include amending the Co-operative Corporations Act to expand the scope of the exemptions from offering statements and to simplify the requirements for co-operatives issuing securities only to their members. There are some quick legislative fixes that are possible.

1450

The CCA has proposed a series of such amendments to FSCO, to the Ministry of Finance and to the Red Tape Commission on a number of occasions over the past several years. We believe that such cost-saving amendments to the act could be accomplished through the government's budget bill.

Contract out the offering statement review process to the Ontario Securities Commission, which handles a much higher volume of prospectuses and may be able to achieve greater efficiencies in reviewing offering statements, particularly those which are of a more complex nature. The OSC's review would need to occur on the basis of the requirements under the co-op act, not the Securities Act because they are two very different acts.

Another option is to contract out the offering statement review process to one or more legal firms with expertise in securities and/or co-op law.

Finally, an option is delegating the offering statement review process to a self-regulatory body subject to the Minister of Finance.

With respect to fees for filing of financial statements, very quickly, no other corporation has to pay such fees. We don't think co-ops should be required to pay those fees. We think there should be a late payment fee but no more than that.

With regard to the base regulation charge and general assessment, FSCO has also proposed that either all co-ops or all co-ops offering securities to their members be required to pay a base regulation charge or assessment based on their assets. Again, no other type of corporation, either business or not-for-profit, is subject to an assessment of this nature. We see no reason why co-operatives should be singled out for such an assessment.

Conclusion: We wish to emphasize that however FSCO addresses the issue of cost recovery, it should be guided by the principle that the costs of regulation should not outweigh the objectives served by that regulation. While ensuring investor protection and creating a climate of investor confidence in co-operatives are goals we share with FSCO, we believe that goals could still be achieved through a more streamlined and less costly regulatory process.

The imposition of excessive regulatory costs on offering co-operatives will act as a barrier to the raising of capital by co-operatives, and send out a market signal to existing co-operatives to seek external debt financing over internal equity financing. In the long run, this will only weaken the financial stability of Ontario's for-profit co-operatives to the detriment of their member investors.

We also wish to reiterate our belief that regulatory costs should not be so high as to discourage the incorporation of co-operatives. Co-operative businesses make an important contribution to Ontario's economy, particularly in the agricultural sector and in rural areas of the province. I think Ted can probably attest to the benefits of co-ops of rural Ontario.

Higher incorporation costs will have the effect of deterring new businesses from choosing to organize in a co-operative form. They will also act as a deterrent to the many not-for-profit co-operatives active in Ontario's social economy.

We thank you for the opportunity to appear before you and welcome any questions. Ron, do you want to quickly—

Mr Ron Voortman: Quickly, my name's Ron Voortman. The reason I drove from Brantford to Niagara

Falls is that it was a beautiful day and we need to be cost-competitive, plain and simple. Our co-operative started in 1993 as 11 people in a rented room with no money. In the year 2000, we expect to expend close to \$40 million. We're going to renovate a plant in London, Ontario, that will turn an empty building into 200 jobs. Also, and our main reason for doing this, is to provide some price stability to our members, who control approximately 20% of Ontario's pork production.

As you're all aware, if you read the paper last fall, the pork industry went into a crisis of immense proportions. On my farm, our revenue to expenses went about 35%. The pork industry is experiencing a vertical market failure. Basically, there aren't enough buyers and far too many sellers.

Our group got together in 1993. Our common vision was not that clear. We understood that the pork industry needed to have some stimulus. We've gone through different scenarios. One was bringing another buyer into Ontario from 1995 to 1998.

Our goal at this time is to provide a value-added facility. Our intention is not to compete with the multi-nationals but to fill the market holes they leave, do value-added cutting and pass that value onto our producers.

Like I said, the simple reason for my taking time out of my day today is that we need to be cost-competitive; whether it's the cost of operating our facility or our regulation costs, it's as simple as that. We can talk for hours about the details, but we need to be cost-competitive with the Maple Leaf Foods and the Smithfields of the world. If our regulation costs are detrimental to us, it's like George says: it's a tax.

In building a business like ours, there are tremendous bumps and lumps on the road. We're not asking you to pave the road for us. Just don't make too many hurdles that we can't climb over. I guess that's the simple statement. I don't have a prepared speech; I'm speaking off the top of my head.

The Chair: It was pretty good. We have about a minute and a half per caucus. Mr Kwinter.

Mr Kwinter: Thank you for your presentation. I'm a little disappointed because when I started reading it—you may know I used to be the minister responsible for this area—I said, "I've got the perfect solution for you." But you've come up with the perfect solution, and that's why I'm a little disappointed. I was going to give you the answer.

I agree with you that those aspects that should be regulated by Consumer and Commercial Relations should be given to them. They have the economies of scale, the staff, the infrastructure and the computer software programming to do it. The same thing with your offerings: They should go to the Ontario Securities Commission, all on a contract basis with the new Financial Services Commission of Ontario.

It makes eminent sense, because the reason they have imposed what I think are exorbitant fees is that they have to set up a new sector with a new infrastructure to do it over a very small base, when the structure is already

there. So I agree completely that that is the way to do it. What I don't understand is why people at the Ministry of Finance don't see that.

Have you made these representations to them?

Mr Alkalay: We have.

Mr Kwinter: And what is their response?

Mr Alkalay: Their response is that co-ops have always been there, and they don't really address the issue of turning it over to CCR. Their most recent response has been, "We would have to amend the act to do that." That's our suggestion.

Mr Bradley: I'm going to call Frank Sheehan right now.

Mr Kormos: It'll do you no more good now than it did six years ago.

First, I'm a fan of co-operatives. I knew Gay Lea Foods, and is it the pork co-operative?

Mr Voortman: Progressive Pork, in London, Ontario.

Mr Kormos: Progressive Pork. That makes me feel even better about it. No hesitation, it's—honest, it's Progressive Pork. All right. These guys will have a hard time buying Progressive Pork chops.

I appreciate that you are here today. I appreciate that you have got a history of lobbying for this issue. It's not complicated. First of all, you're right, it's not fair. And the solution is obvious. So my question is: What the heck is going on, guys? If this is one of those amendments that would have inevitable support from the opposition parties, we'd be idiots—and all of us have done a lot of stupid things, but none of us are exactly idiots—to oppose this sort of amendment being proposed. For Pete's sake—no, for your own sake.

My concern is that these committees are very fluffy. The press is no longer here. They're gone. They show up early in the morning. You have a parliamentary assistant here now, a very senior MPP who is highly regarded by the members of the opposition, and a new, young MPP who is very aggressive and very bright. I'm appealing to them to drive this issue home. I can't do it. If I stand up in question period, they'll say: "It's an arm's-length organization. 'We've got no control over them. FSCO is at arm's length. We can't tell them what to do.'" That's their standard line. If we stand up and raise it in question period, we won't even make the Toronto Star. We'll make the agricultural newspapers, but that won't be persuasive. You've got to lean on these guys. Stick around till 3:30. Take them in the corridor. Shake them down. Grab them by the ankles, turn them upside down, shake every last nickel. I'm serious. This is your kick at the can.

1500

I'm telling you, and it's on record, that I'm confident that my caucus would support this type of amendment in a New York minute. I suspect that if the Liberals had another chance to address it, they'd say the same thing. What's the impediment here? It's a couple of pages of amendments. End of story.

The Chair: We'll end on that high note.

Mr Arnott: Unfortunately, I'm not in a position to commit the government to any specific course of action, but you have made a very compelling case and I'm sure that the Minister of Finance will be very interested in what you've had to say.

My only question was the same question that Mr Kwinter asked as to what kind of an answer you are getting from the staff—you indicated you're discussing this with the provincial government staff—as to why this can't be accomplished. Did you want to add anything to what was previously said?

Ms Lang: The response to that is that the Ministry of Finance has given the Financial Services Commission of Ontario the mandate to achieve full cost recovery. They are willing to go a little slower, but they have a particular amount in mind, \$350,000 subsequent to the first proposal, that they are being told to recover. It's basically to cover costs of space, staff that are already in place and so on.

Our argument is, give us a year. We'll work it out with you. We'll make the legislative amendments we need to make. We'll streamline the regulatory work with you. We'll even explore the role of our own system in self-regulation, but we need and want that year to achieve a fair solution.

Mr Arnott: I would encourage you to continue that dialogue with ministry staff. We appreciate your presentation.

CANADIAN TRANSIT CO

The Chair: Our next and last presenter this afternoon is the representative from the Canadian Transit Co. On behalf of the committee, welcome. You have 30 minutes. Would you please step forward and state your name for the record.

Mr Remo Mancini: Good afternoon, members of the committee. My name is Remo Mancini and I am here representing the Canadian Transit Co, which is the owner and operator of the Canadian half of the Ambassador Bridge crossing between Windsor and Detroit. The CTC is a Canadian company with corporate headquarters in Toronto and operational headquarters in Windsor.

Naturally, we are interested in the direction of the province's economy. We have noted that over the past number of years the current government has decreased personal income taxes by more than 30%, reduced the annual deficit to its current balance of around \$1 billion per year, assisted in the creation of over 600,000 new jobs, and helped more than 450,000 people escape welfare dependency.

Mr Bradley: You have Bart's notes.

Mr Mancini: Well, we footnoted all of these—

Mr Maves: I have higher, better numbers.

The Chair: Let's keep our agenda.

Mr Mancini: Thank you, Mr Chairman.

Today I would like to speak to you about opportunities for continuing this pace of economic improvement. First, let me begin by telling you a bit about the Canadian

Transit Co and myself. The Canadian Transit Co was established in 1921 for the purpose of developing a direct connection between Windsor and Detroit. The Ambassador Bridge was completed in 1929, and its operations have continued to improve and expand.

Since 1991, we have invested over C\$48 million, after-tax dollars, in infrastructure improvements on the Canadian side of the bridge. Among others, these improvements have included:

Construction of a new Canadian plaza and administrative building at a cost of more than \$10 million, creating the largest and most efficient plaza at any border crossing in North America.

Recent land acquisitions have approximated \$8 million to permit further expansion of the Canadian plaza, and \$4 million to \$5 million of further acquisition is planned and pending.

Development of a one-of-a-kind off-site facility for commercial traffic inspection in a 50-acre industrial park, at a cost of \$7 million. With this facility we are able to handle large volumes of commercial traffic in an extremely efficient manner, freeing up capacity for passenger traffic and ensuring that vehicles are not left idling in residential areas.

Construction of a \$5-million award-winning duty-free store, in a joint initiative with the University of Windsor.

Repainting the entire bridge. The cost of repainting the Canadian half is approximately \$15 million. This project began four years ago and will be completed in approximately 18 months.

Reconstructing our Wyandotte Street entrance, at a cost of more than \$1 million.

Repaving the Canadian portion of the Ambassador Bridge span—\$750,000.

Upgrading lighting on the Canadian plaza at more than \$500,000.

Similar investments have been made or are being made on the US side of the bridge. The Canadian and US companies are fully integrated, ensuring that the Ambassador Bridge is run as a world-class business.

Since the early 1990s, the Ambassador Bridge has been North America's pre-eminent international border crossing. In 1998, more than 25% of all of Canada's commercial imports and exports have traversed the Ambassador Bridge. To put that in better perspective, our imports and exports between Canada and the United States, commercial products only, are approximately \$460 billion to \$470 billion. Fully 25% use the Ambassador Bridge corridor.

For the past six years, I have served as the CTC's corporate vice-president. Prior to joining the company, I spent 18 delightful years as a member of the Ontario provincial Legislature, getting to know some of you. In my time as a public office holder, I held a number of different positions, including committee chairmanships, official opposition House leader and two cabinet posts. I believe that my experience as a public office holder helps me appreciate the difficult job that you have to do. However, today I am speaking to you not as a former

elected official but as a business person interested in the continued development and expansion of Ontario's economy, and as someone who, like you, wants to see all of Ontario's residents benefit from this expansion.

I recognize that you have many significant and challenging issues to address. Ontario and Canada as a whole are faced with a pressing need to revitalize both our health care and educational systems. Further, the continued restructuring of the justice system and the social safety net to ensure that Ontario's social needs are met in an efficient and effective manner is a difficult but important undertaking. How we achieve these objectives is a matter of political debate, and people in this room have differing views on that matter. This is as it should be. The committee will be hearing from people much more qualified than I on these issues. Balancing these issues while restoring fiscal responsibility is a very difficult job, but it's a job that has to be done.

But we also need to ensure that the province's economic underpinnings stay strong. Premier Harris highlighted this point in his speech at the Cultural Business and Professionals Association's luncheon this month, when he said that, "We must never take our prosperity for granted." In our view, trade is the foundation of Ontario's economic prosperity. It helps grow our economy and therefore funds all important social and infrastructure improvements.

The strong US economy, Ontario's own productivity gains and multilateral trade liberalization, starting with the 1965 Auto Pact, have all led to exports becoming increasingly more important to Ontario's economy. Exports are now responsible for more than 52% of all the wealth created in this province, compared to just 29% 10 years ago.

1510

In 1998, approximately \$155 billion worth of commercial goods were exported through Ontario's major land border crossings. That includes Sault Ste Marie, the Windsor tunnel and the three big crossings that I will mention later. But over \$59 billion of these exports traversed the Ambassador Bridge. As you know, Ontario's exports tend to come from manufacturing companies. Every \$100 million of these manufacturing exports supports the creation or maintenance of roughly 1,000 good jobs in Ontario.

This increasing focus on North American trade has led to a rethinking of Ontario's economic role. Thomas Courchene, a noted Canadian economist, has written a number of documents discussing the evolution of Ontario's economy. He has noted that Ontario has evolved from being the focal point of east-west trade within Canada to the key region in north-south trade. Among these documents is the book *From Heartland to North American Region State: The Social, Fiscal and Federal Evolution of Ontario*.

In this and other documents, he has noted, "Canada is progressively less and less a single national economy and more and more a series of regional cross-border economies," and that Ontario has evolved from a

"Canadian heartland to a North American region state." In support of this evolution, he compares Ontario's exports to the rest of the world with exports to the rest of Canada. As the following graph shows, Ontario's exports to the rest of the world are now almost three times its exports to the rest of Canada.

Dr Courchene attributes this shift in part to the fact that Ontario's economy is particularly tied through both industry structure and trade to the North American economy as a whole. He also discusses geography as an important factor in this evolution. In one paper he notes, "Within one day's trucking distance of Toronto, the disposable income exceeds US\$2 trillion, with the potential retail sales base exceeding US\$1 trillion—a one day's trucking market comparable to that of Boston, Detroit or New York." Further, he says, "Ontario's economic future lies in middle America," citing that the "US portion of Toronto's one day's trucking market is 17 times larger than the Canadian portion." Obviously you don't need to be a mathematician to know what those numbers mean.

Many recent activities by Canadian companies demonstrate the growing importance of this cross-border trade to our economy. In recognition of the continuous and significant increases in Canada-US trade flows, Canadian National railway recently acquired the US-based Illinois Central railway and more recently has proposed to merge with the US-based Burlington Northern Santa Fe railway. Canadian firms that have recently acquired US companies include Nortel, Magna and Corel, further supporting the importance of north-south integration.

This cross-border trade is reliant on multiple modes of transportation and transportation infrastructure. By far the most significant of these is trucking and road infrastructure. This makes effective roadways and efficient border crossings more important than ever.

However, the growing infrastructure deficit could hinder this trade and impair Ontario's ability to be the economic engine of Canada. We cannot risk the potential job losses that would result from this. As governments have been moving to bring revenues and expenditures in line, there has been a reduction in transportation infrastructure spending as a percentage of total revenues. The following graph shows the extent of this trend as it relates to Ontario. As the graph shows, it has been significant.

In response to this need, the province has established the SuperBuild fund. Through this vehicle, the province is committing C\$10 billion in infrastructure funding, to be matched by investments from partners such as the private sector and/or other governments.

In a speech last month, David Lindsay, president and CEO of the SuperBuild Corp, discussed the need to invest in transportation infrastructure. He quoted from the 1999 report by the Ontario Jobs and Investment Board, an organization that he had previously chaired. The report identified three key infrastructure challenges for the province. Two of these are of particular relevance

today; namely an infrastructure investment deficit and the need to develop gateway and trade infrastructure.

In his discussion of the infrastructure investment deficit, Mr Lindsay noted: "The size of Ontario's economy has expanded fivefold since 1955. The total public infrastructure stock, however, has grown only by a magnitude of four." Further, the report says: "This gap is unsustainable because capital investment and economic growth go hand in hand. Investments in strategic public infrastructure are essential to keep Ontario's economy growing and competitive."

Regarding gateway infrastructure, or the infrastructure that facilitates cross-border travel and goods movement, the report says that, "International airports, border crossings and strategic highways ... are critical to Ontario's success in the global marketplace," and that, "Ontario is one of the world's major trading jurisdictions and quality infrastructure is the platform we need to grow and sustain our export-oriented economy." Further, Mr Lindsay acknowledged that, "The conventional approach to capital investment needs to change to reflect the new economy and the new realities of the 21st century."

The need to address this infrastructure deficit was echoed in a 1999 report from the House of Commons finance committee headed by Maurizio Bevilacqua, a Liberal MP from Vaughan-King-Aurora. The report called for \$2.5 billion in federal money to be spent over a five-year period to improve highways, transit systems and water and sewer systems. Further, the report addressed the need to "develop new infrastructure for the new economy." This belief was also expressed by federal Transport Minister David Collette when he said, "Canada cannot continue to live off of the transportation investments of the past."

A recent report by the federal Interdepartmental Working Group on Trade Corridors further demonstrates this need and specifically addresses issues related to border crossings. In developing its report, the working group consulted with stakeholders, including the Canadian Transit Co. With respect to border crossings, it found that one of the key issues cited was "congestion and delays due to infrastructure constraints and commercial traffic flow constraints."

The route for commercial traffic to cross the border at Windsor is a prime example of infrastructure deficit. The Ambassador Bridge crossing, which itself is only at about 55% capacity, is one of three major commercial border crossings between Ontario and the US and, as the chart shows, currently facilitates the movement of goods equal to the other two major border crossings combined. Despite its pre-eminent role, the Windsor-Detroit crossing at the Ambassador Bridge is the only major commercial international link in Ontario without direct access to a 400 series highway. Highway 401, the busiest road in the country, stops nine kilometres from this major international crossing. Trucks must go from Highway 401 to Highway 3 and then over Huron Church Road, travelling through much of west Windsor, to access the bridge on the Canadian side. As David Bradley, president

of the Ontario Trucking Association and CEO of the Canadian Trucking Alliance, has noted, "You can take a truck from Toronto to Miami and of the 15 stop lights, 14 of them are in Windsor."

1520

The 1998 Southwestern Ontario Frontier International Gateway Study published by the MTO stated that by 2011, annual vehicle crossings between Windsor and Detroit are expected to grow by 50% and that Huron Church Road will not be able to handle these volumes. It also said that traffic forecasts show that congestion problems will arise along critical segments of the road prior to 2011.

The city of Windsor has stated that it pays roughly \$400,000 per year in maintenance for the upkeep of Huron Church Road, as well as 25% of any of the capital costs for this connecting link. The road has long since ceased to be a city street and now functions primarily as a trade and transportation corridor serving Windsor, the province of Ontario, and Canada. The other border cities that compete with Windsor, namely Sarnia and Fort Erie, are not subjected to these costs. Windsor has justifiably objected to the continuation of this discriminatory policy. It is not a question of supporting either Sarnia or Fort Erie or Windsor. All of these transportation corridors are needed and all deserve appropriate infrastructure investment. The corridor linking Windsor and Detroit is too important to be dealt with in a fragmented way. In order to create a level playing field, the route between the 401 and the Canadian Plaza of the Ambassador Bridge needs to be treated in the same fashion as the routes leading to the Peace Bridge and the Blue Water Bridge.

This goes double for the users of that corridor. The users of that corridor deserve to have an appropriate route. The job creation which the users are trying to increase counts on that. Any increased cost due to unnecessary congestion or unrequired stopping of big tractor-trailers adds cost to Canadian product and adds no value to the product whatsoever.

This will maximize current infrastructure. The federal and provincial governments should take responsibility for this key element of Canada's trade infrastructure. Action is needed now.

Further, I support the Canadian Automobile Association's recommendation that the portion of Highway 401 running west from London be expanded to at least six lanes. The CAA presented this recommendation to the Honourable David Turnbull, Minister of Transportation, in their August 1999 report entitled Recommendations from CAA Ontario for Improving Safety.

The United States has been putting significant resources into their transportation infrastructure and, in particular, into their border crossings and connections with Canada. The US government's transportation infrastructure bill, the 1998 Transportation Equity Act for the 21st Century, TEA-21, authorized up to US\$218 billion in spending for highway and transit programs over a six-year period. This includes a provision for up to US\$140 million in annual spending to fund national

corridor planning and development and border infrastructure. Only this week when I was in Washington, I found out that this \$140-million annual expenditure has now been doubled.

In 1999, the Federal Highway Administration allocated US\$10.6 million to the state of Michigan to cover the costs of engineering for improvements to the gateway on the US side of the Ambassador Bridge. This is part of an approved US\$124-million plan to improve the roadway connections to and from the Ambassador Bridge on the US side and to reconstruct parts of the interstate freeway system that lead to the Ambassador Bridge.

The American decision-makers have created a plan, have funded a plan, and are implementing a plan to ensure that no bottlenecks occur on the American side of the Ambassador Bridge. This plan takes into consideration a second span planned by the Ambassador Bridge companies. A similar gateway plan on the Canadian side of the Ambassador Bridge is absolutely necessary.

In keeping with the province's move toward joint public and private investments in infrastructure, we are eager to work with you and make investments in our own facilities to ensure the long-term viability of this critical trade corridor. We are planning to invest up to \$300 million, when warranted, to improve this gateway by making investments such as expanding capacity at the current bridge and/or building a second bridge when necessary.

I'd like to take a moment to summarize the main points of this presentation.

(1) Ontario is increasingly an export economy and its number one trading partner is the United States. I remember Mr Kwinter making many speeches citing that fact a number of years ago, and it's true today more than it has ever been true.

(2) Ontario in general, and the Windsor-Detroit route in particular, has a transportation infrastructure deficit that must be remedied.

(3) Ontario's economic well-being is dependent on good transportation infrastructure, and the corridor leading to the Ambassador Bridge is a critical component of this infrastructure.

(4) Ensuring that Ontario's border crossings and transportation corridors can meet our economy's needs is a wealth- and job-creating investment.

(5) Windsor should not be treated differently than Sarnia or Fort Erie. All three are needed to meet the future demands of growing trade.

(6) The federal and provincial governments must devise a Canadian gateway plan for the roadway system leading to the Ambassador Bridge. This has already been done in the United States.

(7) The Ambassador Bridge companies are prepared to work with you and to invest, when needed, up to \$300 million in after-tax dollars to improve our own facilities.

Ladies and gentlemen, members of the committee, thank you for being so patient and for listening. I'm prepared to answer questions if time permits.

The Chair: Thank you very much. Committee members, just to show my fairness, I'll give each caucus two minutes for questions.

Mr Kormos: Remo, you know you're the last presenter.

Mr Mancini: I'm happy to have made the trip and to have joined you and to see some old colleagues again.

Mr Kormos: I certainly don't dispute anything you've got to say. I've been down there and at that bridge a good chunk of times on that stretch of highway from London to Windsor, which Mr Turnbull describes as "a very pleasant ride."

In the broader context, what's the level of lobbying and government planning with respect to the proposals you're making in this submission? What's happening in the broader context? What's the status of things?

Mr Mancini: As far as lobbying is concerned, we haven't really got into high gear. I consider this to be probably the key piece of lobbying, if I could say so. I've had one brief meeting with David Lindsay to find out more about how the SuperBuild fund would work and how that would relate to our private sector investments.

I'm going to be requesting a meeting with appropriate government officials in the near future, because we are developing an 80-year master plan to show the capacity of the Ambassador Bridge today, which is at about 55%, and the improvements we're going to make in the very near future to the Ambassador Bridge, which will increase that capacity substantially. We've hired what I consider some of the best engineers in Ontario to help us develop a strategic proposal with regard to Huron Church Road, which we hope to show to many departments of government, including members of the Legislature in all parties, to show everyone that with good engineering we can develop a very sound 80-year plan which will respect the city of Windsor's needs, environmental concerns, safety needs, and of course how we'll be able to help the export community.

All of that is in the works. We have several groups of engineers and experts working, and hopefully in the near future I plan to travel to Montreal to meet with the Centre for Transportation, which is a non-profit associated with the University of Quebec in Montreal. I understand from my preliminary findings that they have some of the best transportation experts in Canada, if not the world, there. I've made some preliminary inquiries and I hope to gather as much professional expert advice as I possibly can to do what you've just asked me to do.

1530

Mr Kormos: What about the Windsor-to-Montreal corridor? Is that anything you're including in any consideration?

Mr Mancini: Not for our proposal, no.

Mr Maves: Thank you very much, Mr Mancini, for coming a great distance to make a very good presentation.

On this stretch of Huron Church Road, is it a bunch of commercial properties on either side of the road at this point in time?

Mr Mancini: Part of it is. You have Highway 401, which stops, then you have Highway 3, which is a provincial highway, and that looks like it's the easiest part to improve. Then the city arterial road commences, Huron Church Road. They flow, one into the other. There is an extensive amount of commercial strip development and a number of traffic lights. All of these traffic lights are needed because we need to move east-west city traffic.

I believe we can come up with a plan that will look after the city of Windsor's needs and look after the export community's needs also. I think that's doable.

Mr Maves: How quickly will your second bridge become necessary?

Mr Mancini: We're at 55% capacity now. We've accumulated almost enough property to expand the Canadian plaza, which will extend the capacity of the bridge, and we've just improved our off-site facility, which is a one-of-a-kind facility in North America. We've just doubled the size of it, so that's going to help. Just to give you a rough guess, without all of you holding me to it, 2012 to 2020.

We haven't even used the new technology which I believe is just around the corner. I work with Canada Customs, US Customs and a number of other organizations interested in bringing technology to the border. We spend far too much time inspecting people and goods that don't need to be inspected. We have very few resources at the border and we should be using those resources in a highly targeted fashion so we can get the most out of our money.

Mr Kwinter: Remo, thanks for an excellent presentation. There was some really useful information in here.

To me, this is a no-brainer. One of my criticisms of the SuperBuild fund is that you've got to get a private sector partner and you're not going to get a private sector partner unless there is some kind of income stream that's going to make it profitable for them to get involved.

Mr Mancini: That's correct.

Mr Kwinter: You have a built-in situation where the province can participate, you can participate. You could put a slight surcharge on your fees going across to pay for the thing. It's a win-win situation for everybody. I just don't understand why there is this reluctance to get involved in it. It's absolutely critical, as you say.

Notwithstanding that the government loves to say that their tax cuts are the reason the economy is booming, it's

because of trade. I was in Davos and I heard an economist talk about tax cuts. He said it's like the captain of a ship saying he controls the tides. It doesn't work that way. All of these things are happening and we are the beneficiary. I'm not condemning it. I think it's fabulous that we are the beneficiary of it. There's no question that a tax cut is a lot better than a tax increase—no question about that—but the reason we are enjoying the economic activity that we are is because of trade, and anything that impedes that ability, anything that causes someone to reroute their traffic, is a deterrent.

When you're talking nine kilometres plus some other adjustments, I think it should be the highest priority. I think it's something that everybody should get behind and really make happen.

Mr Mancini: On the American side, if I could say that, under the borders and corridors program, it has been listed as the number one priority for the state of Michigan. When the Federal Highway Administration released their first set of grants to states and communities, the Ambassador Bridge gateway project received the highest grant under the borders and corridors program in the United States. That shows what the American officials are thinking.

I believe we can catch up to them very quickly. I think there are a number of things the Ambassador Bridge itself could do, and we are planning to do in the very near future, to relieve some impediments.

Huron Church Road is no longer a major urban arterial roadway; it is a piece of significant national and provincial infrastructure and it needs to be treated that way. It needs to be under provincial jurisdiction, hopefully with funding from the federal government through the new infrastructure program they're announcing.

We're prepared to do our part. We are more than prepared to do our part. We're anxious to do our part.

The Chair: On behalf of the committee, thank you very much for your presentation this afternoon.

Mr Mancini: I can't have a question from my old friend Mr Bradley?

The Chair: We'll do that after the meeting.

A couple of short announcements: The taxi will be leaving from in front of the hotel at 4:30 sharp.

This committee will reconvene tomorrow morning at 10 o'clock in room 151 at Queen's Park. This committee is now adjourned.

The committee adjourned at 1536.

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Chair / Président

Mr Marcel Beaubien (Lambton-Kent-Middlesex PC)

Vice-Chair / Vice-Président

Mr Doug Galt (Northumberland PC)

Mr Ted Arnott (Waterloo-Wellington PC)

Mr Marcel Beaubien (Lambton-Kent-Middlesex PC)

Mr David Christopherson (Hamilton West / -Ouest ND)

Mr Doug Galt (Northumberland PC)

Mr Monte Kwinter (York Centre / -Centre L)

Mrs Tina R. Molinari (Thornhill PC)

Mr Gerry Phillips (Scarborough-Agincourt L)

Substitutions / Membres remplaçants

Mr James J. Bradley (St Catharines L)

Mr Peter Kormos (Niagara Centre / -Centre ND)

Mr Bart Maves (Niagara Falls PC)

Clerk / Greffier

Mr Tom Prins

Staff / Personnel

Mr David Rampersad, researcher,
Research and Information Services

CONTENTS

Tuesday 15 February 2000

Provincial Council of Women of Ontario; Niagara SARC Network	F-445
Ms Gracia Janes	
St Catharines and District Labour Council.....	F-451
Mr Ed Gould	
Ontario Secondary School Teachers' Federation, District 22	F-455
Ms Rosemary Hanes	
Ontario Childcare Coalition	F-460
Ms Libby Walters	
St Catharines Promotion Task Force; Niagara College Foundation;	
St Catharines Chamber of Commerce	F-465
Mr Don Johnston	
Mr William Bensen; Ms Lee Simpson	F-468
Mr Ian Spraggon.....	F-470
Together in Education	F-473
Mr Brydon Elinesky	
Mr John Ryrie	
Ms Pat Cannon	
Ontario Chiropractic Association	F-478
Dr Bob Haig	
Mr David Chapman-Smith	
Taxpayers' Coalition Niagara	F-483
Mr Ian Fielding	
Canadian Co-operative Association, Ontario region.....	F-486
Ms Cathy Lang	
Mr George Alkalay	
Mr Ron Voortman	
Canadian Transit Co	F-491
Mr Remo Mancini	



ISSN 1180-4386

Legislative Assembly of Ontario

First Session, 37th Parliament

Assemblée législative de l'Ontario

Première session, 37^e législature

Official Report of Debates (Hansard)

Wednesday 16 February 2000

Journal des débats (Hansard)

Mercredi 16 février 2000

Standing committee on finance and economic affairs

Pre-budget consultations

Comité permanent des finances et des affaires économiques

Consultations prébudgétaires

Chair: Marcel Beaubien
Clerk: Tom Prins

Président : Marcel Beaubien
Greffier : Tom Prins

Hansard on the Internet

Hansard and other documents of the Legislative Assembly can be on your personal computer within hours after each sitting. The address is:

<http://www.ontla.on.ca/>

Index inquiries

Reference to a cumulative index of previous issues may be obtained by calling the Hansard Reporting Service indexing staff at 416-325-7410 or 325-3708.

Copies of Hansard

Information regarding purchase of copies of Hansard may be obtained from Publications Ontario, Management Board Secretariat, 50 Grosvenor Street, Toronto, Ontario, M7A 1N8. Phone 416-325-5310, 326-5311 or toll-free 1-800-668-9938.

Le Journal des débats sur Internet

L'adresse pour faire paraître sur votre ordinateur personnel le Journal et d'autres documents de l'Assemblée législative en quelques heures seulement après la séance est :

Renseignements sur l'index

Adressez vos questions portant sur des numéros précédents du Journal des débats au personnel de l'index, qui vous fourniront des références aux pages dans l'index cumulatif, en composant le 416-325-7410 ou le 325-3708.

Exemplaires du Journal

Pour des exemplaires, veuillez prendre contact avec Publications Ontario, Secrétariat du Conseil de gestion, 50 rue Grosvenor, Toronto (Ontario) M7A 1N8. Par téléphone : 416-326-5310, 326-5311, ou sans frais : 1-800-668-9938.



LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
FINANCE AND ECONOMIC AFFAIRSCOMITÉ PERMANENT DES FINANCES
ET DES AFFAIRES ÉCONOMIQUES

Wednesday 16 February 2000

Mercredi 16 février 2000

The committee met at 1002 in room 151.

PRE-BUDGET CONSULTATIONS

The Chair (Mr Marcel Beaubien): If I can get your attention, we'll bring this committee to order. Good morning, everyone.

Before we start with the orders of the day, Mr Phillips requested from the research officers a couple of pieces of information. You have one copy in front of you and the other one will be coming shortly. The one in front of you deals with relative tax levels and a comparison between the American states, Ontario and other provinces. The other piece of information will be coming later on and is an update on the community small business investment funds in Ontario, I think. You'll get that information later on this morning.

CANADIAN FEDERATION
OF INDEPENDENT BUSINESS

The Chair: Our first presenter this morning is a representative from the Canadian Federation of Independent Business. On behalf of the committee, welcome. You have 30 minutes for your presentation this morning. Could you please come forward and state your name for the record.

Ms Judith Andrew: Good morning, Mr Chairman and members of the committee. I'm Judith Andrew, vice-president, Ontario, with the Canadian Federation of Independent Business. I'm joined by my colleague Brian Gray, who is CFIB's senior vice-president. Mr Chairman, I trust the kits have been circulated. The main brief that I'm going to be referring to today is entitled Entrepreneurship 2000: A Vision For Ontario. Also in your kits you will find various other pieces of information that may be helpful to the committee in its pre-budget deliberations, including our Ontario Outlook 2000 document; a report on municipal relationships with small business entitled Assessing City Hall; and Wage Watch, which is a report on compensation comparisons as between the public and private sectors with some specific Ontario data pinned to the top of that full report. There's a document dealing with the Ontario government's pre-election commitments to small and medium-sized businesses and a report on attitudes toward small and medium-sized enterprises entitled Small is Big.

Catherine Swift, our president and CEO, appeared early in the committee's deliberations and talked briefly about the high business expectations we have from our small and medium-sized business members in Ontario, over 40,000 of them. The majority, almost 95%, of our owner-managers foresee improved or stable conditions for their own businesses.

But amid this good news effervescing in the short term are some disquieting signs that Canadians, Ontarians in general and independent business owners in particular are worried about their long-term futures. I guess the key policy question for all of us in this new century is, how do policy-makers extend this solid growth into the medium and long term while defeating the root causes of any underlying malaise?

CFIB believes that a focus on entrepreneurship is crucial, not only as a base for a healthy economy but as a foundation for a healthy society. CFIB's pre-budget recommendations to the Ontario government are focused on the elements necessary to capitalize on this entrepreneurial society while readying our economy to weather economic downturns. On behalf of our 40,000 small and medium-sized business members in Ontario, we appreciate this opportunity today.

I'd like to say a few words on building an entrepreneurial society. We believe that is crucial, not only as a base for a healthy economy but also as a foundation for a healthy democratic society. The mainstay of most communities is not the large corporations but the smaller enterprises that are closely integrated into the community in many ways.

Fortunately, Canadians and Ontarians are really quite entrepreneurial. There's some interesting data contained in the brief about the kind of renewal that happens in our sector. We believe that renewal in small business and the phenomenal growth in self-employment that we've seen would hardly be possible without the very high job satisfaction ratings found among small-firm employees, as well as among self-employed people. The chart is there for your perusal.

Our October 1999 poll, *Small is Big*, which looked at Canadians' attitudes about small business, once again placed farmers and small business at the top of Canadians' most respected list. Paying the ultimate compliment to small business in terms of career choice, nearly half of Ontarians indicate a willingness to consider starting businesses, and most would approve if their son or

daughter or a close relative took the entrepreneurship plunge.

We believe that apart from business entrepreneurship, entrepreneurial values are very inclusive. In fact, these attributes and values can permeate every sector of society where contribution and success are rewarded and self-reliance is encouraged as a value.

There are a number of areas where the Ontario government can help position small business entrepreneurs for growth in the province. The key area is to deal with the number one problem. For eight out of 10 Ontario small businesses, that is total tax burden.

CFIB members acknowledge with appreciation provincial tax relief to date, including employer health tax, personal income tax, corporate income tax and capital tax, and we urge the Ontario government to adhere to its pre-election commitment to continue reducing taxes for families and small businesses in order to create jobs, strengthen the Ontario economy and keep our growth rolling.

We trust the government will also move quickly to fulfil its pre-election promise to publicly identify provincial fees and charges paid by businesses in Ontario and review existing fees to determine whether they exceed the cost and the value of the service provided.

When we look at taxes, we also look at tomorrow's taxes, and that leads us right into the spending and debt arena. CFIB members welcome the Ontario government's taxpayer protection and balanced budget legislation and they acknowledge the greater progress made to date by the province in controlling spending as compared to the federal and municipal levels of government.

We issue a caution, however, that the Ontario government, through its new agency, the Ontario SuperBuild Corp, adhere to the proposed directions of investing in genuine infrastructure that truly does support growth, competitiveness and the entrepreneurial culture.

1010

I draw your attention very briefly to another report we did entitled *Wage Watch*, which is in your kit and which canvasses the public sector compensation advantages over the private sector. Our recommendations in this area are basically to develop a statistical database so that this kind of information can be made available on a more timely basis. Secondly, there need to be policies to bring public sector compensation into line with the rest of the economy, including the pension and employer pension contribution area.

In mid-1999 we asked our members, through two different surveys, if they were in charge, what proportion of future surpluses should be allocated to the following areas. That included paying down debt, cutting taxes and spending on priority programs, the charges on page 6 of your material.

CFIB members placed the heaviest emphasis in their responses at both levels of government on debt reduction. However, small business would allocate more of the federal surplus to cutting taxes than they would Ontario's surplus, which is expected after the budget is balanced.

CFIB on this basis urges the government to announce its promised debt reduction plan which, after balancing the budget on schedule, is to set out a plan to pay down debt every year afterwards, including timetables to meet target debt-to-GDP ratios.

Turning now to the worst tax culprit, which is the profit-insensitive tax, I think it's well understood. I know Minister Eves in his remarks talked about profit-insensitive taxes punishing small businesses, and that of course is because they have fewer profits and typically greater labour intensity than their large-firm counterparts. There are a number of profit-insensitive taxes here: employment insurance, CPP, EHT and so on down the line.

We appreciate the support the Ontario government has lent to our efforts federally and we call on the government to continue pressing the federal government to substantially reduce the EI surplus through payroll tax decreases, linking this to any increases in CPP premiums so that the total load does not continue rising.

On the employer health tax, as we've repeatedly indicated, the first \$400,000 exemption on EHT was highly appreciated by our members. Without question, this relief measure was more than repaid in substantial growth in tax revenues.

One policy challenge facing Ontario is that we're graduating relatively few small entrepreneurs to the medium-sized category. We certainly think that some of the reluctance to grow may be linked to the various tax and regulatory thresholds currently in place. When we look to the west, our nearest neighbour, Manitoba, has an initial exemption threshold of \$1 million in their payroll tax. CFIB therefore encourages the Ontario government to consider increasing the EHT exemption to \$600,000, which would make it consistent with the paperwork threshold for EHT, and subsequently to match the Manitoba exemption level in the longer term.

Property tax stands out as a profit-insensitive tax which is a severe problem here in Ontario. A lasting solution to this tax problem is needed. It's certainly a very huge issue, and the uncertainty about what the future holds post cap, coupled with the sheer weight of this tax, is a major impediment to business growth and economic development.

Our report card on municipal governments in Ontario, which was based on an in-person survey of over 16,000 businesses, found municipal governments receiving disappointingly low ratings. This is a repeat of a study we did two years ago. Each of the factors considered—property tax levels, value for money, control of municipal wages, regulations, bylaws and overall awareness of small firms—were not felt by our members to be issues that the municipal government dealt with in a satisfactory manner.

Property taxes in Ontario remain very high relative to the rest of the world, as you can see from the chart on page 8. We're the property tax capital of the world here in Ontario, and the business sector is the most ill-treated under this system.

The property tax rates for business as compared to residential show an enormous business-residential gap, which we don't believe is justified on any economic basis, but certainly on a political basis it serves to cushion voter residence in the short term from the full cost of the local services they enjoy. Ultimately, it dilutes local government accountability to voter-residents, resulting in higher-than-necessary spending.

The disproportionate load on small business entrepreneurs locally dampens the economic growth in the community, suppresses the creation of jobs and hurts residents' children who are, of course, seeking their first job experience with the small firms locally.

There is some information on the top of page 10 about how the first round of province-wide reassessment actually worked out in terms of perceived value by our members. Clearly, there are some bumps to be worked out in the next round of reassessment.

Turning to our members' direction on what to do when the caps expire, we asked our members this question. Clearly, figure 9 shows the most favoured responses include removing more social services costs from the property tax, setting out a multi-year plan to reduce business education taxes and narrowing the business-residential property tax gap. Probably a mix of a variety of these options will be what ultimately works in the long term.

We've set out a series of property tax principles of fairness that we hope will guide the next round of property tax reform, fully understanding that because the distortions developed over some years, it will take some time to rebalance the system. However, there has to be some evidence of progress in the right direction that's solidly evident to small firms.

We recommend, in connection with property tax, that the Ontario government implement a permanent property tax solution for small firms, including a target and timetable for narrowing unfair business-residential gaps and including relief on the onerous business education portion once the caps expire.

I'd like to say a couple of things about personal income tax reductions, which we support as a balanced approach for fiscal restraint and bringing stimulus to the economy. The made-for-Ontario tax system is something that CFIB has long been critical of. We've surveyed our members on this issue many a time. The most recent was 1998, and that particular mandate vote was attached on the issue: "Should provincial personal income taxes be collected as a percentage of taxable income rather than as a percentage of federal tax?" Sixty percent of our members were opposed in that last vote.

Our concerns with tax on income are the tax grab potential, compliance problems with varying systems across the country and the distortions between provinces. Notwithstanding our concerns about the fact that this tax collection arrangement was done very quietly and without consultation, it does in a sense offer a new and interesting opportunity to address the most serious issue facing small firms, and that is undercapitalization.

On corporate income tax, of course we hope and recommend that the government will carry forward on its announced plan to reduce the small business corporate income tax rate until it reaches 4.75%. As well, we believe that this is another threshold area which is preventing growth to the medium size and we would urge the small business deduction threshold be increased. Alternatively, raise the upper bound for the clawback from its current \$500,000 level to \$1 million to allow the benefit to extend somewhat longer and take account of the growth.

1020

The last area I wanted to address is the barriers to entrepreneurship in business. We have been working forward on the tax administration fairness issues and we trust and hope that the Ontario government will continue implementing its 1999 budget announcements, plus further tax fairness administrative issues that are required. Catherine Swift spoke about PST-GST harmonization, and again that's a barrier that would need to be addressed. We've set out some principles for future sales tax reform in that area. Also on sales tax, we recommend that the government update the compensation for PST collection by small retailers, as well as consider the effect of a cut in the rate as a stimulus measure.

On regulation and paper burden, this commission has done much, but much remains to be done. In this regard we support enlarging its scope to include such ministries as municipal affairs; finance, tax revenue division, for the administrative side; environment; and transportation. We urge the Ontario government to address the specific reforms in the commission's final report. As well, we support the launch of a working group to tackle paper burden and forms with the relevant ministry.

There's also a recommendation, given the concern over high fuel prices, to offer relief on gasoline and diesel fuel taxes at this time.

Financing growth is a serious issue, as I mentioned. A surprising 40% of our members indicate availability of financing to be a serious concern for them. This is double what it used to be in the late 1980s at a similar point in the business cycle. Our banking sector is dominated by the Big Five. Competition is narrowing, not broadening. There's no effective second tier. The Canada Trust-TD bank fusion means the loss of the last potential platform upon which to build a viable alternative structure.

Equity availability is a problem for most small firms. The most effective way of supporting the equity position of small business is through the tax system and not through artificially concocted programs that assist a few.

There are several recommendations here in the financing area which we commend to your attention. The summary of recommendations follows, beginning on page 18 of the report. Brien and I would be delighted to attempt to answer the committee's questions.

The Chair: Thank you very much. Continuing in the same rotation we had yesterday, I'll start with the government side, Mr Galt. We have approximately three minutes per caucus.

Mr Doug Galt (Northumberland): Thank you for an excellent presentation. Good to have you with us.

I want to go to your research on Wage Watch and chat about that for a few moments. I gather that's provincial employees and doesn't include our transfer partners such as boards of education and their salaries. Do you have that information?

Ms Andrew: We have it all different ways, so if you were interested in that, we could get it.

Mr Galt: I'd be very interested in it. Mainly the reason I am is that we've been on the road I forget how many days now, and we've heard from umpteen teachers' unions, somewhere between 15 and 20; I haven't added it up. They want to be able to charge property tax for educational purposes again direct to school boards. What I found absolutely intriguing is that we haven't had a single school board come before this committee to look for money, as most organizations come to this committee hoping there will be money in the next budget. Similarly, we haven't had a trustee organization come before us, which I think is rather ironic, because they are the ones who need the money to pay the salaries. We're hearing from the teachers that they haven't had an increase in X number of years. At the same time I heard from a futurist on the weekend that real dollars in purchasing power etc from 1989 to 1998 went down something like \$3,000. I would think maybe our teachers' unions should be quite thrilled that they are holding their own with what's happened, particularly in the early 1990s.

So you do have this information?

Ms Andrew: There is a problem with the data, and our main recommendation in this area is to get up-to-date data. Of course, what we're trying to do here is compare for matched occupation, public and private sector, so we will see what we can find in the teaching arena.

Mr Galt: Really appreciate that. The other question I have relates to gasoline. Some of the consultation with the task force has suggested that we should be cutting fuel taxes. If that was cut, how many jobs would be created for each cent that we would bring it down? Do you have any feeling on how many jobs might be created?

Ms Andrew: It would be very hard to hazard that kind of a guess. We made a separate presentation to the gas prices task force earlier this week, and included as part of that presentation were a number of comments and concerns that have been flowing in to us from all across the province, and we can certainly tell you that the problems with gas and diesel prices are rippling right across the economy. Independent operator-truckers and so forth are in many cases out of business, parking their trucks, even bigger companies—it's been felt in the agriculture area—in terms of all kinds of problems. It's more what could be saved as opposed to how many would be created.

The Chair: The official opposition.

Mr Gerry Phillips (Scarborough-Agincourt): Thank you. It was a very complete presentation and there's little time to ask questions.

To start with your members' views on the allocation of "the fiscal dividend," whatever it's called, they're suggesting that roughly 45% go to debt reduction, roughly 30% to program enhancement, and roughly 25% to tax cuts. The government, on the other hand, has announced what it's going to do over the next four years. They've announced about 55% will go to tax cuts, 35% to 40% to program enhancements and 5% to debt reduction. Your advice to the committee is that the 5% to debt reduction and the 55% to tax cuts is inappropriate?

Ms Andrews: Clearly from these data at both levels of government our members see debt reduction as a number one priority. That came up in a slightly differently worded question last year as well. Our members see debt as tomorrow's taxes. It's got to be paid sometime, so at times total tax burden and deficits and debts typically run neck and neck as issues. Reducing taxes and reducing debts are not dissimilar in our members' view.

Mr Phillips: On hindsight, do you think it was appropriate to add \$22 billion to the debt of the province since Harris became Premier? Was that a good idea?

Ms Andrews: We did some surveying, particularly around the income tax cuts issue and the EHT cut issue and our members did see the tax reduction stimulus as positive. They believed a balanced approach was to deal with the spending side, stimulate the economy, and bring the deficit down and eliminate it on target. But they are concerned now that the debts be addressed and not forgotten, because we do need to set ourselves up for the next downturn and be able to weather it properly.

Mr Phillips: It's actually \$30 billion when you include Hydro in it, but it's \$22 billion when you don't include Hydro. It's quite amazing. The government, I think, has indicated that they've added \$22 billion and over the next five years they'll reduce it by \$2 billion, which seems inconsistent with your members' advice here.

The second question is on harmonizing the PST and GST. My recollection is that about \$500 million of provincial sales tax goes on exports. First, is that consistent with your research, and second, does your proposal to harmonize it assume that no PST goes on exported product?

1030

Mr Brien Gray: Mr Phillips, I can't give you an answer on the \$500 million right now, but I'd be glad to take a look at what our numbers show us. With regard to the way the input tax credit works, quite clearly one of the reasons for a blended system is that you would have input tax credit, and that would be good for business generally. From the perspective of our members, the simplicity of one system as opposed to two quite separate systems stacked on each other, we haven't been going out surveying about this very much, but we constantly hear from our members that it's ludicrous. It doesn't make any sense from their perspective that they're having to work under two regimes. The costs and the administrative compliance costs involved with that are nuts.

With regard to the input tax credit on exports, that's not something we have surveyed our members on yet, but it's something we probably should do.

Mr David Christopherson (Hamilton West): Judith, good to see you again. Thank you for the presentation.

Just to pick up on a question that Mr Galt raised on behalf of the government, it's interesting that when he talks about the teachers' presentations, he wants to talk about the one or two lines that some of them happened to mention in terms of teachers' wages. The vast majority, 99% of each report, did not deal with that issue at all; they dealt with all the problems that are happening, the crisis that is affecting our children.

For example, I would draw to Mr Galt's attention and to the presenters, there's a report presentation in front of us from OSSTF district 8 and, if you'll notice, nowhere in there do they talk about wages. They're talking about the funding formula, they're talking about the impact on children and the fact that there are no longer any librarians, psychometrists, psychologists, educational assistants or English-as-a-second-language teachers. All those things have been cut. When you talk about education, let's be sure we talk about what the teachers spend 99% of their time talking about, which is the absolutely horrific damage that your government has done to education through your funding cuts. Let's keep things in perspective.

When we talk about public sector wages, once again, government likes to think that they've got a good punching bag with teachers, but when you go after public sector workers, you're also talking about firefighters, police officers, nurses, the folks who are out right now plowing our highways. I don't hear him saying that those people—and this is his subtext—are all paid too much. The fact is that you just want to make sure everybody's wages are at the bottom so you and your buddies can make as much money as possible, and everybody else be damned.

I wanted to ask a question about the capping, because your focus is, of course, small business. In Hamilton, the nightmare of the government's legislation to change assessment required six more pieces of legislation to fix all the mistakes that were pointed out to them in the first place. You know the damage that was caused out there.

In Hamilton, you may be familiar—and I've asked others in other communities; it's the same elsewhere—the one side benefit to that whole exercise for small business in Hamilton was that in the downtown and Westdale area, assessments that had gone sky-high and made them very uncompetitive were finally going to be adjusted and they'd be back in the game. With the capping, it left them still uncompetitive and, in fact, we've lost as much business since then as we did before.

You mention that this needs to be addressed. I think we all agree with that. Specifically, though, what do you think the government ought to do in terms of what some refer to as an exit strategy? Exactly what do you think the government ought to do to correct this situation if we all

agree that businesses in areas like downtown Hamilton are being adversely affected by the previous capping?

Ms Andrew: Obviously if you're a business facing a 300% or 400% increase, the cap was a welcome piece of legislation. For those for whom taxes were going to go down but for the capping, it was very unwelcome. We think that it's a greater sin to overtax than to undertax and therefore there needs to be a way to bring down taxes for people who are overpaying, possibly through better spending control at the municipal level, narrowing the business-residential gap so that you do get accountability for local spending to the voter-residents and a variety of other things as included in figure 9, such as the education portion relief in that area as well.

On the education portion alone, the average across Ontario is about 3.5%. The residential education portion is extremely low. It went from 0.46% and it's going down by 20%, worsening the gap. The government, even on the piece of the pie that it controls, is not dealing with the gaps in the right direction. We're very concerned about that.

The capping legislation for businesses facing increasing taxes was needed, but it has been very detrimental for those whose taxes should be going down.

The Chair: On behalf of the committee, thank you very much for your presentation.

Mr Galt: On a point of order: Mr Phillips consistently, when he's drawing in the debt increase, includes Ontario Hydro debt, which is very unfair. If you want to include that, I can demonstrate that there's actually been a reduction of \$10 billion in Ontario's debt. If you want to include—

Interjections.

The Chair: Let's have a bit of order.

Interjections.

The Chair: Mr Galt, Mr Phillips, please. If you don't stop, I'm going to call a recess, so make up your minds.

ONTARIO HOSPITAL ASSOCIATION

The Chair: Our next presenters are from the Ontario Hospital Association. On behalf of the committee, welcome. You have 30 minutes for your presentation. Could you please step forward and state your names for the record.

Hopefully we will have a little more decorum in the room.

Mr David MacKinnon: My name is David MacKinnon, president of the Ontario Hospital Association. With me is Murray MacKenzie, chair of the Ontario Hospital Association board.

Thank you for the opportunity to be here today. As indicated, I am chair of the Ontario Hospital Association board and president and chief executive officer of North York General Hospital. I would like to make some brief comments before turning the microphone over to David.

As both an OHA board member and a community health care provider, I am encouraged by the recent comments made by Premier Harris and Health Minister

Elizabeth Witmer, recognizing the imminent and urgent need to address the issue of sustainability of our health care system and the tough decisions that will have to be made about how much we as Canadians are willing to spend on our publicly funded system.

The greatest strategic threat confronting us in all sectors of the health care system in the short and intermediate term is the shortage of nurses. This is directly related to funding levels and sustainability. Workload, job insecurity and international and interprovincial competition are all critical components of this equation.

We are on the cusp of a great demographic shift. Ontarians are living longer and their health care demands are growing. This dynamic is challenging health care providers and the government to rethink how we view our health care system, and truly how best to organize it to ensure sustainability for future generations. This is a terrific, monumental challenge.

Much work is being done in this area, from the primary care pilot projects currently underway across the province to the establishment of the Ontario Medical Research Council, which will support research in Ontario's own hospitals and universities. These initiatives and many others will form the basis of modernization of our health care system, and there is much more that we can do.

Over the next few weeks, the OHA will be releasing two ground-breaking studies. The first will contain recommendations for building a sound and reliable capital funding system for hospitals and creating an environment conducive to private sector investment. The second report will look at alternative pathways for the evolution of hospitals and their potential partnerships in the community. We believe that through partnership and innovation we can, and will, ensure that our universal health care system is increasingly accessible, accountable, affordable and of very high quality.

Now I'll turn the microphone over to David.

1040

Mr MacKinnon: Thank you very much, Murray. Good morning, and thank you for the opportunity to be here.

I'd like to focus my remarks on the key issue of sustainability that Murray has mentioned. We believe that in general the universal health care system that has been a part of the life of the province for so many years is at risk. It's at risk of being overwhelmed or being left behind by technology and other developments. We believe this for a number of reasons. First, the pressures on the front-line staff, as Murray mentioned, particularly on nurses but also on physicians and many other categories of staff, are immense, and in many cases they are working beyond what can reasonably be expected on a sustained basis to provide the services consumers require.

The second reason for our concern is that new technology is reshaping society. Given our current level of investment in technology in the hospital system, we cannot really hope to keep pace with these changes.

The third fundamental reason for our concern is the comment Mr MacKenzie made that our population is growing and aging, and the demand on the health care system as it is currently constituted is outstripping both our physical ability to meet it and our financial ability to fund it. All of this has fundamental implications for health care and for society as a whole.

According to a recent study commissioned by the Ontario Hospital Association, hospital funding would need to be increased by 18% in real terms over the next five years, and significantly greater amounts over the next 20, to accommodate Ontario's aging. Of course, this is a problem we have along with every other advanced, developed country in the western world. But this very difficult picture—and I find it hard to underestimate how difficult it is and will come back to that point—may not be as bleak as it might appear in terms of looking to the future.

The Internet, advances such as robotic surgery, the mapping of the entire human genetic structure and advanced telecommunications are all fundamentally transforming health care, making it an international business for the first time in human history—and I'd like to think about the implications of that—and creating massive new opportunities for us to compete if we can serve our own consumer base well and build on that to compete around the world in the new international structure of health care. As that happens, as a well-organized, single-payer system with substantial resources of knowledge and skills, we believe we have a capacity to compete that is exceptional and we're not without hope that we can contribute more broadly to the economic base of the province if we do.

Of course, there is a risk. As health care becomes much more international, we must adapt. If Ontario's hospitals particularly, but also the rest of the health care system, fail to make that transition properly in terms of quality patient care, high quality of life and all those other issues, we think the future competitiveness of the province could be significantly impaired.

The stakes are very high in the transition that's about to transform health care in much of the world. But we do believe, given our fundamental strengths, that if we play our hand with imagination and with courage, our system could be valued as much as a source of future economic growth as it is valued for the vital consumer service we provide.

Investing in hospitals and the technology that supports their work would be a very important step in making that transition as smoothly as possible. I'd like to talk for a moment about why technology looms so large, because it is a fundamental underpinning to everything that is happening in health care.

How many times have each of us sat in front of a physician or nurse and recited our medical history? We all do that. Currently, in the vast majority of hospitals and physicians' offices across the province, once that initial consultation takes place, records have to be transferred manually between caregivers or additional

medical history and diagnostic tests have to be retaken at a significant cost to the system. The cost of transferring and the cost of redoing tests is high.

Internet technology can change a lot of that. It can provide real-time access to records, MRI results, diagnosis and consultation. It can do that for people without their ever having to leave home.

Not long ago at a seminar in the United States I watched a demonstration. A lady used to have to leave her home, spend two or three hours on a bus and go into a crowded hospital emergency room. She spent a couple of hours doing all that and then had to reverse the process. One day the staff of the hospital showed up with a little Internet-based computer and self-diagnostic equipment, and the intrusion on her day constituted spending 15 minutes going down to her basement and coming back up. All the records and the testing involved were done by this little self-diagnostic machine, and the next thing that happened was a PowerPoint graph came off in her physician's office at the hospital. Amazing things are possible.

But at the heart of all those, our ability to make them happen, of course, is funding. We still continue to experience funding challenges of the most serious order. A particularly serious one relates to capital. Our most recent financial review of Ontario's hospitals, conducted by our change foundation and the Canadian Imperial Bank of Commerce, reports that the rate at which hospitals have been investing in capital assets has declined precipitously over the last three years, particularly with respect to medical equipment and information technology. In 1996-97, hospitals invested approximately \$1 billion in these areas. In 1998-99, that figure had fallen to just \$230 million, a sudden, serious fall-off. Given that technological environment and the real possibilities before us, you can see why we are particularly concerned at the moment about our expenditure patterns.

To reach acceptable investment levels, the provincial government would probably have to spend an average of \$960 million in each of the next four fiscal years to equip us for the technological world we are about to enter. This of course is in stark contrast to the 10-year average contribution by government to health capital of about \$160 million. In an era of balanced budgets and very difficult financial demands, we really need to think about how to access roughly six times the annual capital spending in order to be competitive in the new international world of health care than we are currently able to access.

We know there is a wide variety of possibilities before us, that it can't all simply be the taxpayer, although clearly that's where most hospital funding comes from. We have been working with a hospital capital funding working group, drawn from the private sector, on how hospitals can address funding shortfalls through a variety of means, including new public-private partnerships and perhaps methods of pooling to access funds, a whole variety of means by which we can bring an additional element of private sector revenue into this.

In light of our interest in this area, we are very encouraged by the creation of the \$20-billion SuperBuild Growth Fund and particularly encouraged by the people who have been appointed to its board. We hope that organization will provide hospitals and other public sector institutions with significant access to funding.

I would also like to talk briefly about research. The people of Ontario should be encouraged by the fact that some of our teaching and research hospitals, despite all our challenges, continue to emerge as world leaders in the areas of research and development and technology. Take, for example, the world's first robotic heart bypass surgery, performed at London's Health Sciences Centre last September, and the recently announced development of a synthetic human cornea at Ottawa's Eye Institute—just an amazing transformation. These are but a few examples of the many and varied advances that have been made from research done in our own hospitals.

To us, as we look at the combination of where we are in terms of funding and the potential and the economic development importance of our industry, there is really no choice: We have to find ways to make additional investments, and we need to do it now. If we choose to do otherwise, we'll see Ontario fall behind the world and we will erode some of this country's most important assets. The scientific capabilities of teaching in large community hospitals constitutes one of the principal assets Ontario has to secure its economic future, and if we erode them, it's not just the consumer service that gets eroded; it's a serious blow at our economic competitiveness in the years to come.

1050

What we are saying really is that we see health care and hospitals as one of the most important investment choices for our society and not just as a cost to be borne. We also think the same logic, from what we can see, is applicable to universities and community colleges as well.

There are several other things we need to do, of course, beyond addressing the fundamental capital and operating financial issues that have been developing in the hospital system for many years. First, we believe we need to reorganize our delivery of care. We need to change the delivery of retail medicine by supporting primary care reform initiatives, including enlarging physician group practices. Enlarged physician group practices, more physicians working together more effectively, is probably the single most important thing that has to happen to improve the overall functionality of the health care system. If we do that, then those physicians will be able to employ modern technology, nurse practitioners and other health care professionals more easily.

Secondly, we also need to move quickly, in light of my earlier comments, on issues such as telephone triage, teletriage, the Internet and expanded communications services.

Thirdly, we also need to become, as most health care sectors need to, more accountable and more transparent

with the public as to how we're spending tax dollars. I believe the hospitals in Ontario pioneered, with our hospital report card project of the last two years, in making everything that we do much more transparent and in giving consumers the information they need for their own decision-making, and we intend to continue to do that. We intend to be fundamentally accountable to consumers in steadily improved methods in the years to come.

We'd like to recommend this morning three specific things, in addition to the general observations I've made, for the 2000 budget.

We'd like to recommend that the government ensure hospitals have sufficient operating funding to maintain access to patient care services, including emergency room services. As part of that, we would like to see hospital operating funding put on a more secure funding basis by providing a three-year rolling funding commitment that allows some predictability in the system. At the moment, a lack of predictability in funding is a very serious problem for us, as well as the overall problems I mentioned earlier.

Second, we would like to see government amend capital funding policies to provide upfront funding for hospital investment in new information and medical technology. Again, from my earlier comments, you can see why we believe that's so vital.

We would also like to accelerate hospital-based health research. We welcome the many ideas the government has, some of which are being implemented, to assist with hospital-based and health care research so that we can continue to create high-value-added jobs for the future.

I'd also like to note, as I come to the conclusion of these remarks, that we really do agree with the position taken by our provincial government and other provincial and territorial leaders that federal transfer payments to the provinces must be significantly enhanced. The federal contribution, we believe, has fallen off too rapidly in the past few years.

We'd also like to recommend—and this may be a controversial issue—that federal policy and transfer payment structures be amended to eliminate all the distortions that discriminate against Ontario and that could undermine the future development of the country. There is at the moment significant evidence that the entire public sector in Ontario, whether it is hospitals, universities, transit systems or community colleges, is facing very significant solvency and debt problems, and that the scale of those problems is related to the massive net transfers from this province to support public institutions and the public infrastructure in other parts of Canada.

I don't want to overstate that, but the numbers involved are huge. The question I think the people of Ontario need to ask is, given the apparent solvency problems in many parts of the public sector in Ontario, how can that be related to the very significant transfer payments that are going to support public infrastructure in other parts of the country? That may be fairly substantially in relation to how we fund our own. Nova Scotia's eight universities comes to mind.

I hope that issue can get some thoughtful attention from the people of Ontario, not just the funding of hospitals, but what we have to do to place this province in a position so that its public sector institutions can move to the future with some confidence and certainty and not just be worried about their cash management and maintaining their standing day to day. If we can get that predictability, if we can get that certainty, I think there are wonderful possibilities before us, but if we can't, the issues look to be very troubling indeed. Thank you very much for your time.

The Chair: Thank you very much. We have two minutes per caucus.

Mr Phillips: There's hardly enough time, but I want to start with a specific. About three years ago, a young lady went to a hospital in my area. She was eight months pregnant. She had a brain hemorrhage and the local hospital knew she was in terrible difficulty. They tried to get her a bed here in Toronto. The CitiCall made 21 phone calls and couldn't find a bed to accommodate her. Finally, the closest bed was in Hamilton. They tried to get an air ambulance. An air ambulance couldn't come. They transported her by land and she passed away. They saved her baby, although they had to get a doctor from another hospital to come.

I spent two years—I did it behind the scenes, not publicly, but with the minister—trying to get an explanation of it. Finally, there was a coroner's inquest last June. I went down to that coroner's inquest, and it made several recommendations. Today in the newspaper I find the story of a man who died under very similar circumstances, almost identical—CitiCall making, I think, 15 calls, they could not get a bed here in Toronto, transported to Hamilton and passed away.

I had assumed that the coroner's inquest would have been enough of a signal to whoever—the Ministry of Health, the Ontario hospitals. The reason I'm raising it today—I realize it's a specific case—is I tried to do all the things that a local member would do. I tried to deal with it. I sent a private letter to the minister. The family wanted to go public. I said "No, let's try and find an explanation." Yet several months later we find another person has passed away under almost identical circumstances.

My question really is this: When you have a coroner's inquest that makes these specific recommendations around things like CitiCall and making sure there are intensive care beds available for something like this, what happens? Does it just fall into a bureaucratic pit, or does something really happen to try and save people's lives?

Mr MacKenzie: Why don't I make a comment or two to give you a perspective about what happens at the local level and then David can talk a little bit about what the Ontario Hospital Association does to try and facilitate lessons learned. I'm not sure that either of us can comment fully about what happens within the Ministry of Health. However, I know in hospitals across the province all coroner's jury recommendations are received by

hospitals, insofar as they may relate to some aspect of hospital care or health care, and are widely distributed through the hospital. Through a series of educational sessions, front-line staff are engaged in thinking through, "What can we do in this organization to make sure that it doesn't happen to us, to our patients, clients and residents?"

At the Ontario Hospital Association there's a broader process which the OHA uses to facilitate coordination and co-operation as well as communication, which David will mention, and liaison with the ministry.

Mr MacKinnon: When we get a major coroner's report, and we get many of them—I'll use just one example, the Kyle Martyn issue. You may recall the intensive publicity surrounding this case in a hospital in Mississauga. When the coroner issued the coroner's report, about 40% of the recommendations were directed at the OHA specifically and many others at its members and the OHA. We implemented all of the recommendations within the six-month period given to us and it led to very significant upgrading of triage training across the province, including the rapid implementation of a more advanced triaging system.

1100

We do go through them, Mr Phillips. We have a specific process to do that. When there are system implications, we draw them to the attention of all our members, and we intend to do that more and more intensely.

We also know from our report card issues that once people get into hospitals they are quite well treated, but the clear focus has to be on enhancing access. We're going to expand that system so that we report more on the access issue, so people can actually track it more closely.

Mr Christopherson: Thank you for your presentation, gentlemen. As you know, the front page of the Toronto Star today has a story headlined "Man Died After Five-Hour Search for Hospital Bed." If I can just quote a part:

"It was more urgent than anybody anywhere—his condition was imminently life-threatening," says Dr Dan Watkin, the emergency physician on call at Collingwood General Marine Hospital.

"In 15 years in rural areas, I've never seen a patient of that severity be delayed."

The end of the article states the comments from Mildred Lambe, who is the patient's wife:

"But she says it's a bitter irony that her husband may have been let down by a lack of provincial spending.

"He was always so impressed at the cutbacks. To think that the time of his life when he needed something from the system, it failed him."

I would just say parenthetically that I think we're going to see a lot more of this. People in general like the idea of the tax cuts, they think it's wonderful to get government off our backs, but when it's your family member who is affected directly, when you need the bed, when your child needs help with special assistance or

supports in the classroom and they are not there because of the funding cuts, suddenly the whole thing takes on a very different perspective.

This is happening all the time. In Hamilton recently, maybe you're familiar with the situation of Barbara Mersereau's mother, who was in Mexico and desperately needed to get back to Ontario. The physicians in Mexico and her own physician agreed she needed to be air-lifted. The insurance company was onside, everybody was onside, and they couldn't find a bed. It was only because her husband happens to be a local psychiatrist and has connections in the medical community—and he admits this—that he was able to, as he says, pull a string and get a bed for Barb Mersereau's mom.

Far too often we're seeing that people aren't getting particularly the emergency service they need. Hamilton Health Sciences Corp is running a deficit. You talk about the debt problem of hospitals. Unfortunately, the media often portray it, reporting the comments of others, that these are hospitals that aren't managing properly. "They've got a deficit, so what's this big problem? They never had it before."

My view of it is that you can always improve efficiencies, but the reality is that the cutbacks mean that you make a choice: You either provide the services and run a deficit or you don't run a deficit and the services aren't there. And when the services aren't there, that's how we get these headlines and that's how people like Barb Mersereau's mom are not able to find a bed.

What do you think the government ought to be doing immediately so that Ontarians can be satisfied that the emergency service they are bloody well entitled to will be there for them?

Mr MacKenzie: I'll make a comment initially. One of the sad realities which we have evolved into is that although adequate, appropriate funding is totally necessary to sustain our health care system at an appropriate level of quality and access—and we give full credit to the government for the additional monies they allocated just before Christmas to the system generally and to help with emergency services—the problem is that nurses, particularly emergency nurses and critical care nurses, are not out there to be hired.

Mr Christopherson: Why aren't the nurses in the hospitals right now? Why haven't they been there all along?

Mr MacKenzie: There was a recent study you may have heard about that the Canadian Nurses' Association just released, and there are lots of other data. Between 1990 and 1998 in this country we've lost about 4,000 nurses net per year to the United States—

Mr Christopherson: Why?

Mr MacKenzie: —and one in three nurses even today leaves the profession within the first five years. Some 10% on top of that go to the States. Why? Workload.

The Chair: Thank you very much. We've run out of—

Mr Christopherson: What I'm getting at is that the irony is that the government cut the transfers—

The Chair: Let's have some order.

Mr Christopherson: —and that's why the nurses were laid off.

The Chair: Mr Christopherson, I will not warn you again this morning.

Interjection.

The Chair: I will recess if you continue on your tirade. I've given you five minutes. I said two minutes; I've given you five minutes. That's more than fair. If you're going to take advantage of somebody else's time, I will recess and everybody else will be penalized on their presentation time. I will not repeat my statement.

Government side.

Mr Ted Arnott (Waterloo-Wellington): Thank you, gentlemen, for your presentation. I've got a quick comment and then I want to defer to my colleague Mrs Molinari, who has a question.

I want to thank you very much for the constructive suggestions and ideas that you presented today. I know the government will give them all due consideration.

I've heard the opposition comments. Certainly there are problems in health care. We acknowledge that. We're working to solve them. We're hoping to receive further assistance in the upcoming federal budget to fully restore health transfers. I recall the comments that were made by you, Mr MacKinnon, before Christmas, that the government has been very responsive in terms of working with you to solve problems. I think you said we've done more in that respect than any government in recent years. You've given credit to the Minister of Health, and I want to thank you for that, and thank you for your presentation today.

Mrs Tina R. Molinari (Thornhill): Thank you very much for your presentation. It's very comprehensive and it gives us a lot to go into as we move along with the rest of the budget hearings.

On your point about the more secure funding and the three-year budgeting, I certainly agree with the multi-year budgeting and the benefits it can have on any organization, so I certainly concur with that.

I do have one question. As one of the recommendations, you have investment in new information and medical technology. Could you give me an idea of what percentage of the total budget you believe should be invested in that area?

Mr MacKinnon: We drive at it more from a question of how much others are spending and the specific nature of the technological investments we'll have to make. I think the figures in our presentation show that we think we're about one sixth of where we should be, and that is a really serious problem.

I think where it takes us for the future is new partnerships with technology enterprises. It's clear that government funding will have to increase significantly to not only resolve the very important consumer service problems that we're facing but also from an economic development point of view.

In the end, I think it's going to be two things: significantly enhanced government funding and a much broader

sense of partnership with the private sector to get a level in hospitals that has to be a large multiple of what it now is. I would say something in the order of four, five or six times the current level would be necessary to be competitive in the years to come.

The Chair: On behalf of the committee, thank you very much for your presentation this morning.

Mr MacKinnon: Thank you very much, Mr Chairman.

The Chair: I'd like to make a quick statement. I know this has been a long three weeks for most of the members and I know that every one of us is getting somewhat tired. We're running 10 minutes late already this morning. We've been very punctual throughout all the hearings across the province. I've had co-operation from all the members, including you, Mr Christopherson, and I certainly appreciate that. I don't mind running late. I've given everybody their fair time.

Mr Christopherson: You've had your say, Chair, and I've listened to it. Get over it.

The Chair: OK. I've given everybody their fair time, more than their fair time, this morning.

RETAIL COUNCIL OF CANADA

The Chair: We'll continue on with a presentation with the representatives from the Retail Council of Canada. On behalf of the committee, gentlemen, welcome. You have 30 minutes for your presentation this morning. Could you please state your name for the record.

Mr Peter Woolford: Good morning, Mr Chairman and members of the committee. My name is Peter Woolford. I'm with the Retail Council of Canada. I'm joined this morning by Brian Rudderham, who is the controller with Wal-Mart Canada and the chair of our taxation committee. We have provided a written submission. I've got a few opening remarks and then we'd be glad to take comments and questions from the committee.

First of all, we do appreciate this opportunity to appear before the committee this morning and provide the views and advice of our members in advance of the 2000-01 budget. As well, on a personal note, I would like to express my thanks to the committee and to the Clerk's office for making it possible for us to be here today. I know that I had given a very short window in which we were all available to appear here, and I do appreciate that opportunity.

1110

A little bit about the Retail Council: We are the voice of retail in Canada, and are a non-profit, member-funded organization whose more than 8,500 members across Canada include national department store chains, national and regional discount chains, mid-size specialty stores and independent merchants. Something that people don't always know is that over 90% of our membership are independent retailers with one or perhaps two stores. Our members account for about two-thirds of Canada's general merchandise retail volume.

I'd like to talk a little about how we see the retail market right now. I know that is helpful to the members of the committee and to the government as we look at the budget for next year. Then we'll run quickly through our budget advice for the government.

Nineteen ninety-nine was a good year for retailers. I'm delighted to be able to say that. It seems I've been coming to this committee almost forever with nothing but bad news about the industry. Our members enjoyed a strong 1999, with growth in sales at around 5.4% in the period from November 1998 to November 1999. That's a national number from Statistics Canada; I believe we'll have the full-year data next week.

Ontario's performance has been even stronger, with sales rising over 8%. In our view, at least part of the reason for this stronger growth in Ontario is the major stimulus provided by the Ontario personal income tax cuts implemented in previous budgets. As the committee knows, we are supportive of those measures. Sales continued strongly through the 1999 holiday season, and again Ontario results were slightly stronger than the national picture.

Looking forward to 2000, our members forecast another year of relatively steady, healthy sales growth, probably in the range of about 4%. However, we will continue to see significant variation in rates of growth among different sub-sectors, different formats and, of course, different individual retailers. In our view, what that reflects is the ongoing battle for market share which is raging inside the retail trade. Retail has always been a very competitive business, and never more so than at the present time.

While productivity in the industry has grown, in fact the benefits have flowed almost exclusively to consumers. Retail profitability has not changed, and while sales have grown we've seen very little or no increase in employment in the industry since 1998. Even at that time, the growth did not make up for the loss of jobs in the first part of the decade.

This should be of concern, because retail is a major employer in our economy, employing about one-eighth of the labour force and acting as a major entry point for people entering the labour force for the first time.

Let me touch on a number of policy issues we'd like to bring to the attention of the committee.

First of all, in the general area of fiscal policy and the broader issue of tax reduction, our first recommendation is to encourage the government to introduce in this year's budget for 2000-01 the proposed income tax reduction initiatives they announced last year. We take this position for two reasons. First, of course, as a business that sells to the final consumer, we are always grateful for more money in the pocket of the consumer. Secondly, we support the government's desire to reduce the role of the public sector.

Our second recommendation is that depending upon the fiscal circumstances of the government, we believe the provincial retail sales tax is another tax that might be a suitable candidate for a reduction in rate. I'd like to

expand on that just a little. In our view, a rate drop would provide an immediate, direct and visible reduction in the cost of goods that people buy. Secondly, sales tax is one area where Ontario's rates now are among the higher in Canada, and Canadians have shown a willingness in recent years to bend or break the law in order to avoid taxes that they see as unfair or too high.

I can think of a couple of examples that this committee will be very familiar with from their past history. One would be the phenomenon of cross-border shopping in the late 1980s and early 1990s, and the second would be the widespread smuggling of tobacco in the mid-1990s. The emergence of the Internet as a shopping channel only intensifies the opportunity to do this kind of behaviour and adds competitive pressure to retailers here in Ontario. We will address the whole matter of taxation of Internet sales a little later on in the presentation.

The second issue is that familiar old chestnut, sales tax harmonization. I think I've been talking to the committee about this for 12 years. Our recommendation here is that the Ontario government should pursue harmonization. However, and we want to be very clear on this, it must not require merchants to include the tax in prices. The Retail Council is adamantly opposed to a tax-in, harmonized system with rates that vary by province. Again, I would like to take a little time to expand on that, so people understand how important this is for the retail trade, and in fact for the consumers who shop in our members' stores. Retailers must be allowed to display prices tax-out, to accommodate differing tax rates across the country. I'll talk a little about the direct impact that mandating tax-in pricing would have, and then a little about the broader system effects it has.

The best example of a direct impact that mandated tax-in pricing would cause is the effect on item price marking, where the individual price of the item is actually put on the container or product itself. There is a dramatic cost-saving if price tags are put on merchandise when it is manufactured. At this time the cost is virtually zero or very small. But at the time a product is manufactured, the province of destination is not known. When the iron, the can of soup or whatever personal care product or piece of clothing is manufactured, you don't know what province it's going to be sold in. If you are trying to price at that time, you need a single price to put on the product. If tax-in pricing is mandated, it would force retailers back to the 1960s, back to the practice of previous decades of pricing in the store. Everybody can remember the sales clerks with their pricing guns pricing items. This is a costly, wasteful process that retailers around the world are trying to get rid of.

Let me talk a little about the longer term impact of tax-in pricing, and that is to essentially balkanize the national economy that we've struggled for over 100 years to create in this country. Not only is the national economy destroyed by tax-in pricing, but the entire logistic system which is built around a single, national economy would be eliminated. The additional costs and loss in efficiency would far outweigh any tax saving and would

destroy 20 years of technological progress in retailing and in the supply industries.

Let me turn to a brand new issue that is starting to emerge that we feel the government should give some attention to, and that is taxation of sales made over the Internet. The recommendation here is that we believe the logical and best way to ensure fair taxation of Internet sales is to harmonize the provincial sales tax with the goods and services tax. However, if that is not the direction the government intends to move in, we suggest that officials be directed to look for alternative solutions.

Let me talk for just a moment about this. Sales of merchandise to final consumers over the Internet, as everyone knows, have grown at an explosive rate and are forecast to rise rapidly going forward. The Retail Council is the voice of retailers, and that includes pure play electronic retailers, traditional bricks and mortar retailers, and what are now called clicks and mortar retailers—retailers who have both an electronic presence and a traditional store-type presence. Our view is that retailers of whatever type, located in Ontario, need assurance that out-of-province competitors do not gain a competitive advantage simply because they do not have to charge the tax because they do not have a footprint in the province. The government must, of course, maintain a competitive tax regime. But it should also be working with other governments to establish the rules for Internet sales that cross jurisdictional boundaries. That is simply a matter of tax fairness and the proper application of tax. In this area I think our interests line up very directly with the public interest and with the interest of the government, and that is to ensure that every sale carries its fair share of taxation.

The fourth broad area we would like to touch upon very briefly, we are aware, is not one that is the direct responsibility of the committee, and that is environmental fees and levies. We recognize that in this area the responsibility for designing funding for waste diversion has been delegated to the Waste Diversion Organization, and we will be participating in the work of the WDO. But we would like to draw a couple of quick points to the attention of the committee.

The first stems from the fact that however waste diversion is funded in this province, it will be done through something that walks like a tax, smells like a tax, looks like a tax and, by any other name, will be a tax. For that reason we would suggest that officials from the Ministry of Finance be involved in work on financing methods, because this is, in effect, a new tax. Ministry of Finance officials are experts in this area, and we believe it would be desirable to have that expertise at the service of the organization.

1120

Second, we believe governments are experts at administering tax systems. For that reason we recommend that the government administer the new tax to ensure neutrality, equity and efficiency of operation.

The final area is one that the committee has already discussed briefly this morning with other presenters, and

that is property taxation. We have just one point to make here, and that is that section 19 of Bill 14, which I believe was passed last fall, should be amended to put in place a more balanced process for reassessing specific properties and classes of property and that this include a proper appeal process. Our concern here is that the current legislation gives the minister very broad power and discretion over the taxation of specific properties and classes of property without any established process for doing that, nor any proper means of appeal.

In conclusion, we are coming off a strong year, 1999, and our members are looking forward to another year of healthy growth in sales. We believe the policies of this government have done a lot to support the environment and played a role in creating domestic conditions that underlie that growth. The challenge for the government now is to pursue policies that will sustain the economy over the medium term and to support the private sector's efforts to improve its competitiveness.

Those are the opening remarks. We'd be glad to respond to any questions.

The Chair: Mr Christopherson, we have five minutes per caucus.

Mr Christopherson: Thank you for your presentation. It's good to see you again. I have to say at the outset that I was a little disappointed that you've given all the credit for the economic activity we now have and the booming economy to the Harris government. There's no reference whatsoever in here to something that virtually every economist who has presented to this committee has talked about and that is the fact that the booming US economy, and therefore the export sales that's generating, is really the main driver of the economy here. When someone is buying something that we've exported in Wisconsin, the personal tax rates here in Ontario have absolutely no impact on that at all. I was disappointed that you didn't at least acknowledge that there are many experts who are recognizing that that's the main driver, not the tax cuts.

Mr Woolford: May I respond to that for a moment, Mr Christopherson?

Mr Christopherson: Sure.

Mr Woolford: First of all, we would never deny that the US has played a role in promoting growth and promoting the health of the Ontario economy; there's no question. What we tend to do as retailers, of course, is look at the domestic economy, what local citizens are buying and what they have in their pockets. In that area, what we saw in the recovery, and then in the first part of the expansionary phase across Canada, was a very unique process whereby domestic demand inside the country lagged, throughout a long part of the cycle, the overall growth of the economy, for exactly the reason you've identified, and that is that the health of the US economy was significantly greater than Canada's and it was exports that were driving the economy. The benefits of that were not flowing to ordinary citizens. The tax take on them was rising at a dramatic rate at all levels, particularly at the federal level, and that left, despite a

strong economy, the final consumer in Canada and Ontario with no more money. As retailers, that impacts the business and was of great concern.

One of the things that we do want to give credit to the government for is that they did put some money back in the pockets of consumers and, in our view, that did change the dynamics of the domestic market in Ontario.

Mr Christopherson: I appreciate that, but I also know that there were a lot of small businesses in neighbourhoods in my riding where the 22% cut to the income of the poorest of the poor meant a lot of corner stores were almost going belly up, because of course the less money you have, the more you spend immediately in your community, in your neighbourhoods, and that's exactly where small business—retail business—is, and they were hurt. But I think we both take each other's point.

I would also point out to you, though, that one of the things I think we all ought to be concerned about is the incredibly, in fact historic, low level of savings that StatsCan is now showing us exist. One economist, Mr Hugh Mackenzie from the Steelworkers, pointed out that in the ramp up to the Depression of the 1930s, in the booming 1920s—not that I'm making a direct analogy but eventually this economy that's defying gravity is going to go down—one of the things that they learned was not to let people borrow against the paper value of their stocks. It was called buying on margin and then, of course, when the value of the original stocks went down, the margins were called in, people didn't have the money and ergo bankruptcy started happening all over and we entered the Great Depression.

Now we have historic levels of debt and historic low levels of savings, and what that could mean is that, yes, we don't have the margins that'll get called in and cause the economy to implode, like people's personal finances, but if we see a dramatic downturn or correction in the economy, to use the vernacular, then a lot of people may find that the assets they thought they had in their mutual funds and RRSPs won't exist, they've got no savings and they're loaded up with all this debt. So while you're the immediate beneficiary, and we all are, with a booming economy, of the money being spent, at the end of the day if the bubble bursts we could find that those very same consumers are now into a personal recession and financial depression that could last god knows how long and then you'll be back here in a few years saying, "We're hurting big time because people aren't spending." I think it's something we all ought to be worried about.

Mr Woolford: We raised this before the committee last year, in fact. I seem to recall our remarks focusing on our concern with exactly the points you've just made, that debt levels are at historic highs and still rising, that Canadians were very close to dis-saving, not saving. Again, our sense is that that was coming from the needs of very ordinary folks to make ends meet, to have enough money in their pockets to pay for the daily necessities of life. Again, our concern was that while the economy was growing very healthily, the benefits of that were not

flowing to the ordinary citizen. Our members were seeing that in store sales and in the health of the economy.

Mr Galt: Thank you for an excellent presentation and for helping to put things in proper perspective as to what really stimulated the economy in getting it going.

At this point in time, I'd like to extend my personal apologies to you on behalf of the government of Ontario for the terrible economic policies we had from 1985 through to 1995. It was most unfortunate for your industry what happened to it and what happened to the province in general. The loss of jobs: We lost some 50,000 net jobs in this province in the first half of the 1990s, while the rest of Canada gained 350,000 net new jobs. Certainly we're seeing how that turned around.

My question to you relates to retail sales tax, which you're suggesting should be reduced. I asked the previous one on fuel tax. If it was dropped 1%, 2%, how many jobs might that created in the province of Ontario, if we were fortunate to encourage the Minister of Finance to look at that kind of thing you're commenting on?

Mr Woolford: There are two sides to this, and I'll ask Mr Rudderham to address them as well. One is the immediate direct impact on retail. A lot of the goods, in fact all of the goods, that we buy as citizens move to us by some form of transportation which, of course, is carbon-fuel-derived. My understanding is that the cost of that is not a large part of the final cost of the goods. The impact of higher fuel costs on the cost of merchandise is not that great, and I'll ask Brian to confirm that. But the second element then is that what the higher cost of fuel does is drain funds out of the consumer's pocket. If they are spending more for gas, more for home heating, then they have less in their pocket for the other daily necessities. Those are the two impacts we have. I don't think I can give you any sense of the job impacts. What I can tell you is that it will have an effect on consumer spending in the short term. I would imagine that given the ferocity of competition in retail, retailers again are going to be forced to eat this additional cost increase rather than pass it on. But I'd like to, with your indulgence, ask Mr Rudderham to respond as well.

Mr Brian Rudderham: I won't pretend that I'm competent to comment on the number of jobs it would or wouldn't create, but to Peter's point, I think generally speaking anything that puts money back into the consumer's pocket is a positive thing. If you reduce the tax, you're redistributing where that money's going to go. I think a significant portion of it would go into retail, drive retail sales, which would definitely create jobs in Canada, certainly from the perspective of my company. We source about 80% of our goods from Canadian vendors, so in effect you do spread that around quite well.

1130

There is a direct impact of the cost of fuel on our business. Most of the goods in the country that flow through any chain's logistics network do tend to travel by truck. There are taxes and surcharges on that, so there is an impact. But again to Peter's point, anything that goes

back there will tend to flow back through to the consumer. Retail is probably one of the most competitive industries in Canada today, and becoming more and more so, and it's very much driven by price competition. I personally believe that a major influence in holding inflation down is the level of competition that's happening. There's just no room for price increases in the supply chain. Certainly if our vendors come with a recommendation for a cost increase to us, our general reaction is, "Just say no."

Mr Galt: Maybe I could sneak in one last question. I believe you said you were with Wal-Mart?

Mr Rudderham: Yes, sir.

Mr Galt: Just questioning what sometimes is in the newspapers, is it true that your company received a grant from Jane Stewart, from the HRDC slush fund?

Mr Woolford: In all fairness, Mr Galt, Brian is here on behalf of the Retail Council this morning. I think we should stick to Retail Council business.

Mr Rudderham: I believe it was reported as a developer also.

Mr Phillips: Thank you for the presentation. I appreciate your comments on the economy. The government put out its quarterly accounts, and I note that from the second quarter of 1995 to the third quarter of 1999, the most recent quarter that is reported, exports are up \$80 billion and what's called "personal expenditure on consumer goods and services" is up \$20 billion. Not to underestimate the importance of consumer spending, but we now are in an economy that is driven by exports. We've heard presenter after presenter saying that, frankly, that's what's driven the economy. No other place in the world relies on exports as much as Ontario does. We have to be really careful when we assign the key factors. Exports, according to their own numbers, are up \$80 billion; domestic spending is up \$20 billion. Tax cuts have been interesting and no doubt have helped retail business, but let's recognize the key driver. By the way, the export people tell us that the reason why they're able to compete is the way we fund health care, which is heavily funded by the taxpayer, the provincial government, and the quality of our education system.

You mention harmonizing the PST and GST. My recollection is that somewhere around \$500 million of PST, provincial sales tax, goes on product that is exported. If we harmonize it with the GST, I believe that would require taking it off those products. This is an interesting proposal from the retail people, because, theoretically, if one raises the \$500 million elsewhere, it helps boost exports perhaps but it is \$500 million that has to be somehow or other accounted for. Is that \$500 million the number you use, because that's the number I've seen, and is that still consistent with your recommendation to harmonize the PST and GST?

Mr Rudderham: If you recall, when the GST came in, the 12% tax was removed in favour of the GST. The manufacturer's tax that was on exports was removed. That was transferred to the consumption-based GST. Exports have definitely benefited, probably by the figures that you're presenting.

Generally speaking, these measures can be done to be relatively neutral.

There are also tremendous savings to be had by dealing with a single tax base. There's an efficiency on the business side from the point of view that right now we as retailers administer the GST, QST, HST, Ontario's PST, PEI's PST—Manitoba, Saskatchewan, BC. On top of that, we're currently administering 17, and I believe it's soon to be 19, different environmental levies on specific taxes. So from our point of view there's a tremendous efficiency to dealing with one tax regime, and certainly as few tax regimes as we possibly can.

There are also collection efficiencies at the different levels of government. If you're harmonized with the GST, you only have one set of administration. They have an allocation formula that the Maritime provinces have benefited from, and in fact when they harmonized with the GST they actually had a rate reduction for their consumers. I'm not sure what happens to the \$500 million, but they got a tax break and a cheaper administration along the way. It seems to be a system that has worked fairly well. It's worked fairly well for the federal government, and I think from a retailer's point of view it makes it easier and less costly to administer this tax on behalf of the government. We're probably the single largest tax collector at virtually every level, certainly the federal and provincial governments, and it's a costly burden to us.

Mr Woolford: If I could add to that just for a moment, where this shakes out is that the goods and services tax is levied on a much broader base than the provincial sales tax. It taxes a lot of services that you cannot efficiently tax with a retail sales type tax. So as the base gets much larger, that will generate a revenue stream which is quite comparable to the retail sales tax. My recollection is that when Ontario and the feds were talking about this, Ontario believed they would lose some revenues and the feds thought they would make some revenues by the switch, if the tax stayed at the same rate.

The other major area where taxes have apparently shifted is taxes on intermediate goods. I believe Ontario receives about a third of its PST revenues, much larger than on exports, for example, on taxes on business imports, which would be much more cleanly flowed through to the consumer. That would be seen as a shift of the tax to the consumer. In fact, what happens is that that is stripped out of the cost base and put on the final price, which means that all the markups through the process are not built in on the tax-included base price. Our expectation is that costs to consumers might come down a little bit and revenues should be more or less neutral.

The Chair: Gentlemen, on behalf of the committee, thank you very much for your presentation this morning.

ONTARIO FEDERATION OF LABOUR

The Chair: Our next presenters this morning are representatives from the Ontario Federation of Labour. On behalf of the committee, welcome. Could you please state your name for the record, and you have 30 minutes.

Mr Wayne Samuelson: Wayne Samuelson. I'm president of the Ontario Federation of Labour.

Mr Ross McClellan: Ross McClellan. I'm director of legislation for the OFL.

Mr Samuelson: Let me begin by thanking you for the opportunity to spend a few minutes talking with you.

We have prepared a presentation which I want to assure you I'm not going to read. It has all the necessary graphs and charts to explain our positions. I think it's safe to say that none of the positions will surprise you. In fact, the points we make about the impact of interest rate policies, tax cuts, service slashing, the need for support for people who are hurting, housing, health care and education are consistent with positions we and others have taken in the past.

I should also tell you that I actually have had some time to watch some of these presentations, so not only does Mr Galt's mother watch, but there are some other people out there who are watching.

1140

I agree that this is an important forum and an important debate. I also want to assure you that I'm going to talk slowly enough that you're going to have time to go through my brief and highlight things and ask really interesting questions. But I have to tell you, I can't believe how far removed many of the issues discussed at this committee are from real people out there.

I'm going to step a little bit out of the box. I want to say off the bat, I understand how this works. I know the government members have their marching orders, that somewhere some gang of unelected people have provided you with your message box—I see you looking, actually, in the back of the room—and it's your role to defend government policy and to say over and over and over whatever they've told you you need to say.

I've actually been around politics a little while and I understand how it works. But I also know it's got to be tough at times. Over the Christmas season, when there was a crisis going on in the emergency wards in Toronto, I can't imagine how you must have felt—because I know I felt bad—knowing that your policies were resulting in a situation where sick people were being driven around this city in the back of an ambulance trying to get into a hospital. I talked to somebody in our building the other day and she was telling me how she spent almost 48 hours in a hallway with her sick mother because they didn't have any beds. That's got to bother you, because it sure as hell bothers me. I don't have the kind of control over how our government spends the money that you do. You've got to wonder about the growing inequality gap in this province and the impact that's having on people who are at the bottom end of the scale.

You've also got your orders to talk about job growth and how great things are, but it must be tough when you know that between 1997 and 1999, less than 7% of jobs that were created were permanent, that around 14% were temporary and that over 20% were term or contract. It's got to bother you, because it sure bothers me, to realize that 41% of all the jobs created in the last decade were

self-employed, and a third of those people are living on less than \$15,000 a year. I understand it's hard for the government to engage in that kind of debate, because they are in fact giving ground and acknowledging that things aren't as great as they have said.

I want to talk to you a little bit about wages. Again, you're in the position here of actually defending the indefensible. You've got this freeze going on with the minimum wage in this province coming up to five years, and this just blows me away. The same people who give you these orders were probably the people who had the brainwave to put the public salary disclosure on the Web. They've got you in a position of defending a minimum wage that's been frozen for five years on people making \$15,000 a year, while any citizen can now click onto the Web and actually track the increases you've given your employees over the last three years, not to mention the \$30,000 increase—which is twice the yearly salary of someone on minimum wage—you've given to your political staff. We've got another month to go and up come all the salaries again. You can actually look on there and you can see people who are pretty friendly to your government getting some pretty big wage increases over the last four or five years.

I was in Kingston yesterday. I was driving back down the highway last night and I heard this ad that the Tory party has going. I thought how embarrassing it must be to be a Tory MPP, especially a backbencher who doesn't have a lot of input into these things, when you've got your party running these silly ads to tell people they're getting a tax break, if you can believe that, ads that are primarily subsidized—you understand this—by your donors, a big chunk of whom are very wealthy people and taxpayers, trying to convince all the rest of us that we're getting a break so they can get public support to give them more money in your tax break system. I can't understand it. I'm sure people will figure this out. I'm actually surprised that there aren't more accidents on the highway with these Tory MPPs driving to work trying to hide their faces because they're so embarrassed when these ads come on.

I could go on. Believe me, I could go on and talk to you about the things I hear when I travel the province, the pain of people in the city of Toronto who are trying to access housing.

I remember—and this it sticks in my mind—I was in Thunder Bay some time ago and a woman phoned in to a radio talk show I was on. She talked about how her son used to get help from the special education department in the school and he no longer does. She said to me: "Wayne, this government cut will impact my son for the rest of his life because he doesn't get that help now." So you have an incredible responsibility.

I just want to say, though, if any of you ever want to stand up to these whiz kids, who meet in some hotel or in some office here, and actually say, "It's wrong that minimum wage workers have had their salaries frozen. It's wrong that people can't get into an emergency ward when they're in an ambulance and they're sick," or if you

want to say that it's wrong and you're going to do something about hallway medicine or that kid up in Thunder Bay, or you're going to try and fight for real jobs, I don't think you'll be alone. There are a lot of people out there who believe they elect people to take a stand; they believe they elect people not to mimic the notes that come from the back of the room or from the top floor of the building across the street. They think they elect people not to simply repeat message tracks. I just want to say to you that if any of you ever feel the need to really make a difference, there'll be a lot of support. Please feel free to give me a call. I'll do anything I can to help you, because I actually believe in our democratic system and I actually believe that each of you has to look in the mirror every morning. I know that some day you'll all realize that you're hurting people and it has to stop.

I'll stop there, because I'd like to hear some message tracks but I'd like also like to engage in some conversation.

The Chair: We'll start with the government side. We have approximately six minutes per caucus.

Mr Arnott: Thank you, Mr Samuelson, for coming in today and for your presentation. I look forward to reading it in detail. I haven't had a chance to cover the whole thing because I was listening to your comments. I think you've expressed your point of view very effectively today on behalf of your membership.

I want to focus in on one issue that you raised a couple of times, the issue of the minimum wage. I was privileged to serve in the Legislature from the years 1990 to 1995, when the New Democrats were in power, and I recall that the minimum wage was raised quite substantially during that period of time. I forget the percentage increase, but it was quite substantial. Numerous studies came forward. There were expressions of concern from the Canadian Federation of Independent Business and the retail business council, who were just here, who suggested that the minimum wage increasing as it was, was actually a deterrent to job creation. It was becoming unaffordable for many companies to hire new people. That certainly seemed to be the case, based on the fact that we had a huge unemployment problem and a net job loss of around 10,000 jobs during that period of time.

This isn't a message track, this is reality; this is the truth: There have been around 640,000 new jobs created since 1995, I think partially due to the supportive tax cuts on the part of this provincial government, but more importantly due to the initiative of business people who have seen confidence in the future and have felt that it was possible to hire new people. I think too often the government pats itself on the back for these new jobs that have been created and probably we should be giving credit to the people of Ontario a little more.

1150

It was the position of the government during the 1995 election that we should freeze the minimum wage until competing jurisdictions caught up. We're monitoring that closely. If you have any information which shows minimum wage levels in our competing jurisdictions and

the other provinces across the country, as well as some of the states, because as we know we certainly have competition for jobs and investment from jurisdictions in the United States, I'd be very happy to look at that and take that forward to the Minister of Finance.

Mr Samuelson: Let me say, first of all, that I was pleased to actually have an opportunity to hear the previous presentation and hear the representative from Wal-Mart speaking on behalf of the independent retail organizations and companies. It was somewhat interesting.

Let me make a couple of points. I can't believe that you can sit there with a straight face and tell me you're going to freeze the minimum wage until what, Illinois, catches up? I don't know what you're calling it but—

Mr Arnott: I'm not telling you—that was the position of our party in 1995.

Mr Samuelson: I understand the position that was worked out, wherever they work out these positions. What I'm saying to you is that you give the answer with no comment on the impact it has on the people who have been sitting out there working for minimum wage and haven't had an increase since 1995. You just ignore that whole side of the equation. I'm sure that may be of interest to whoever wrote out that first document that you ran on, but I think people out there realize that it's not unreasonable to think that somebody should get some kind of wage increase.

As a matter of fact, I just heard these people say things were going great. I just sat right where Ross is. He said: "Everything is going wonderfully. Great year." I think you should show some leadership here. You've got an opportunity to take this guy at his word, my good friend Peter who was sitting here, and tell the government that they think everything is great and it's time to increase the minimum wage.

I think you would have to go a long way to catch up, because we have had inflation every year since 1995. So actually these workers have had a huge reduction in their wages. I think the argument about what was in the Common Sense Revolution in 1995 about competing jurisdictions may be good spin but it holds no reality to what people are facing every day out there.

Mr Galt: I would like to respond on the minimum wage as well. I come from a rural riding. When we go around on tour and talk to the apple growers in Northumberland county, what is the message I come back with? I come back with two very strong messages. They start pounding the tractor tire and they tell me, "Don't increase the minimum wage because we can't afford to pay any more than that for labour if we're going to compete with our fruit, our vegetables, the various products coming out. The second is, "Whatever you do, don't stop the offshore labour from coming into this province because we so desperately need them."

I was on a farm where there were 96 offshore workers—this was back in the fall when I was there, not yesterday but back in early October—and he would take 50 Ontario workers that day if they would just come and work there. He's going to have to go offshore. That's

consistent with the fruit and vegetable people in my area having to go offshore to bring people in to work in those areas. They are just pleading, "Don't increase the minimum wage or we can't survive and we can't compete." That's no tract message, that is direct from the farmers of Ontario in my riding.

Mr Samuelson: Mr Galt, I'm sure you've been around politics a while. Did you really expect that when you go to see an employer he's going to hammer on the tire and say, "Please legislate a raise for my employees"? It should not surprise you, nor does it surprise me, that employers will say, "Don't raise the minimum wage." That's not rocket science.

I agree, you have some responsibility to whoever it is who is banging the tire, but you also have a responsibility to people who are working all around this building, in every community of this province, who have had a wage reduction every single year. These are people at the very bottom of the economic ladder. I think it's important that someone reflect the views of that farmer, but someone also needs to reflect the views of those people whom you've been hurting every single year. You've frozen their salary and forced them to lose money because of inflation. And many of those are not just teenagers, although lots of them are. You're trying to—

The Chair: Thank you very much.

Mr Samuelson: Can I just finish up? I don't want you to yell at me.

The Chair: If you yell, I yell back at you. If you talk nice to me, I'll talk nice back to you.

Mr Samuelson: I think it's important that you remember that many of these people are supporting families on these wages.

Mr Phillips: Thank you for your remarks and your presentation. I want to talk a little bit about exports. Mr Mackenzie, whom I view as knowing as much as anybody in the province about the Ontario economy and the finances of the province—he truly does—was the one who really highlighted the export situation. He went over the Ontario economic accounts and pointed out, and I strongly agree with him, that what's been driving the Ontario economy is exports. If you look back since Mike Harris became Premier, exports are up \$80 billion and domestic spending up \$20 billion. It is the driving force behind the Ontario economy. In my opinion, we just have to understand that and what the implications are. As you say, it has very little to do with the tax cut and much to do with a variety of things.

I do think that after health care this is the most significant issue for us because it has profound implications for Ontario. I carry this document around with me, and I'm sure you've got it. It highlights some of the reasons why Ontario has been competitive. It points out, "Ontario hourly labour costs range from \$4.71 to \$13.65, lower than competing jurisdictions in the US." It points out that these are the labour unit costs—you probably can't see it—the United States going up and Ontario staying flat. So one of the reasons we've been successful is because the wage differential has widened.

One of the other two key reasons is the way we fund our health care system. The government itself acknowledges that that is one of the two key reasons to locate in Ontario. We in Canada, we in Ontario, believe that everyone should have access to quality health care so we fund the bulk of it, over 60% of it, from public funds.

The second one is the quality of our workforce. Again, it's the government's own document that points this out: "Ontario's labour force is highly productive and labour costs competitive." It points out a variety of good things about our labour force.

I'm wondering what message the OFL would have for us in terms of the implication of this growing dependence on exports and where that may lead us. Many of the presenters say: "We have to harmonize taxes with the US. We have to have the same income tax, the same sales tax, the same fuel tax, the same property taxes, the same corporate taxes." My own judgement is that if we were to do that, by definition we'd end up with the same way of funding health care as the US, or lower funding. You can't have both. I wonder if the OFL has done much work on this and if you have any advice for the committee on where we're going to be heading on this.

Mr Samuelson: First of all, I think it's a very good question and it speaks to what we're facing in terms of the bigger picture. The government is actually moving towards—and we all know this—a health care and an education system that mirrors the United States. It raises a whole range of issues for us as Canadians and as residents of Ontario about whether we want to see that happen. So rather than do it quickly, it's done by stealth. It's done by privatization. It's done by cutting back on the amount of money that's available to support our health care system.

I'm in complete agreement with you in terms of Hugh Mackenzie and his never-ending work to try and understand and explain the Ontario economic situation. The committee would be well advised to heed what he says. But you'll notice on page 12 that we draw also on Hugh Mackenzie for some of our support. It speaks to the incredible facts around the growth in our economy and how it has become tied to export markets. I think this committee needs to note that. It needs to make sure that while we're tied to these markets we don't find ourselves tying, God knows, our minimum wage to the United States, let alone our health care system. I think Ontario residents and Canadians expect more, and I don't think they're going to stand for it.

What we need to watch is that the government doesn't do it inch by inch and people don't see it coming until it's too late. But I can tell you that my personal experiences with the health care system in the last couple of years are much different than they were 10 years ago when I was forced to spend some time in the system. Clearly, we're heading into trouble.

1200

Mr McClellan: Just on auto and health care: If you took auto out of the Ontario economy, there would be a pretty big hole in the economy. There wouldn't be much

left of the Ontario economy if you took the auto sector out. In the auto sector alone, our medicare system gives us a wage advantage of \$6 an hour compared to the American auto industry. That's something to think about: \$6 an hour is what sustains the most booming sector of our export economy, which is the auto sector. Any weakening of the health sector fundamentally weakens our competitive position and our ability compete in American markets.

Mr Phillips: I was interested that you were using data from the Canadian Institute for Health Information. Interestingly enough, the provincial government uses the same source now, and they provided some response to some questions. I don't know if you've had a chance to look at it, but it shows that provincial spending as a percentage of total health spending is heading down or approaching 60%. Those are the government's own numbers now. Therefore, obviously 40% is coming from elsewhere. So the stealth you talk about, Mr Samuelson, may not be as stealthy as you think. It may be a kind of all-out trot. I do think that, without any question of a doubt, we are heading that way.

Mr McClellan: Eventually that will end up on somebody's bargaining table. Sooner or later that 40% that people now have to pay out of their own pockets instead of its coming out of medicare is going to be on the bargaining table, and it's going to be reflected in the cost of doing business instead of in our medicare system.

Mr Christopherson: Wayne, Ross, it's good to see you again. Thanks for your presentation. As we all note today, Mr Galt is in full flight. Unfortunately, he's going in circles because he's only using his right wing again today.

The fact of the matter is that if you take a look at the track record of this government, if you're very well off, you've done really well by Mike Harris. If you are one of those in poverty, you're in deeper poverty than you've been comparatively in the past. You've had your income cut by 21.6%, and minimum wage, as you point out, Wayne, has been frozen for five years. They're falling behind.

The fact of the matter is that we are now behind the Americans in terms of our minimum wage. Most of us of the boomer generation grew up with an understanding that we were always just a cut ahead in terms of the investment we were prepared to make as a society that would benefit everyone, for the benefits of all as opposed to just a few. Now we see that the American minimum wage is actually ahead of the Ontario minimum wage. Further to that, the President of the United States, who has presided over the biggest economic boom in the history of the United States, not only has increased the minimum wage during this boom, but the other day, in a presidential year, called on Congress to increase it again. I would think that if somebody who wanted his buddy, Vice-President Al Gore, to become the next president, thought this was going to be a serious drag on the economy, the last thing he would want to do is urge Congress to do it.

The reality is that if you listen to Mr Galt's arguments, and his arguments only, the way they used to provide labour in the Deep South before the American Civil War would still prevail. You're correct, Wayne, when you point that you have to take a look at all sides of the equation. If the only thing that mattered was competitiveness, then don't pay anything to anybody. Just make sure you have indentured workers and pay them nothing, just sustenance. The fact of the matter is that we have a civilized society; at least we used to in Ontario.

I want to draw attention to a quote that I raised before you came in, Wayne, and ask your comments on it. I raised the issue of the unfortunate situation on the front page of the Toronto Star today about the gentleman who died while doctors were spending five hours trying to find a hospital bed. At the end of that article, his wife said that it's a bitter irony that her husband may have been let down by a lack of provincial spending: "He was always so impressed at the cutbacks. To think that the time of his life when he needed something from the system, it failed him."

You're out in the real world everyday talking to, not those who are at the very high end of income in our province, but with the working, middle-class people who make this economy go. What do you hear from people in terms of the tax cuts? What are they telling you when you talk to them about whether the tax cuts have been worth the cuts to our education system, our health care system, environmental protection and things like that? What are they telling you out on the streets, in shops, on the floors and in the stores of Ontario?

Mr Samuelson: I think the very fact that the PC party has run ads to tell people about the tax cuts speaks to just how people feel about them. I think people understand that it doesn't matter how much of a tax cut you got; it won't buy you access to an emergency ward if you're sick. You can give someone a \$500 tax cut, but if their kid doesn't get the help they need in special education when they're in school, the \$500 doesn't mean a lot.

We've got a lot to learn from just talking to people who need help. Nobody talks to me about the tax cut they receive. Most people talk to me about the services they expect, and they know they aren't there. As you said, I travel all around the province, and the issues are the same everywhere I go. The reality is that the people who are at the bottom end of the scale, the 10% at the bottom in after-tax income, in the last decade now represent 14%. There's a huge growth in people who are suffering. There's also a huge growth in those who are doing well.

I've taken a look at the election expenses commission Web site. I've seen pages and pages of corporations and numbered companies that send a lot of money into the Conservative party. Maybe those people believe in this and think it's great, and there's probably some benefit to a lot of them. But the people who don't show up on those donors' lists are my neighbours who want to get into a hospital when they're sick or expect they are going to have services for their children or their community when they're needed.

I think you need to get beyond the sort of message box, the approach that tax cuts are just great, and really look at what it means to people. Because at the end of the day that's what matters. It doesn't really matter what the graphs look like. It doesn't matter whether you get a front page in your local newspaper talking about how great the government is. What matters is the impact it has on people. And you're going to have a hard time convincing me, based on what I've seen over the last couple of years, that you aren't hurting a lot of people. Certainly, the quote in this newspaper story this morning sums it up: At the end of the day, even some people who may think that it's doing them some benefit are at risk themselves.

Mr Christopherson: It seems unfortunate that that's the only way the message is going to get out there. As you say, if you've got \$500 in tax cuts it doesn't do you a lot of good if you need a bed in an emergency ward or if you need care for your children or there's an environmental spill or if you find out that the air that your children are breathing is more polluted than ever.

Obviously, not everyone affiliated with the OFL is making minimum wage. I would hope that most of them are making considerably above that, because they benefit from free collective bargaining. What do you sense in terms of people who would consider themselves to be middle class? It's my sense that if we've got a growing pool of people who are in poverty, and that they're in deeper poverty than they've been historically, then it's not millionaires who are broke and are suddenly in poverty; it's people who once considered themselves to be middle class who have now seen their standard of living fall to the point where they are now statistically considered to be in poverty.

Do you have that sense of apprehension and insecurity on the part of people who most would think of as sort of middle class, that they may not, not only be able to improve the quality of life for their families, but they're fearful that it's slipping away? Do you sense that kind of apprehension out there?

Mr Samuelson: Certainly, and I guess the government somewhat naively thinks they can get this short message out about tax cuts and that is going to ease that apprehension. But I have three daughters who are going into the world to try to find work, most of them trying to string enough part-time jobs together after leaving school to find full employment. I think that has to worry a lot of the so-called middle class, the impact of this new economy on their children.

There is a lot more insecurity out there than government numbers might lead you to believe. To simply say that 650,000 jobs have been created, or whatever number you're being told to use today, doesn't make it any more secure. We've had a major restructuring taking place in the Canadian economy, and certainly in Ontario, over the last decade. I think the apprehension comes from their personal experience of not feeling as secure in their jobs as they used to and the fear about their children.

I think a lot of it comes from the deterioration of the services around them, everything from having to pay to

put your garbage on the curb, to the fact that there is less because of downloading—the municipalities are in crisis in many areas—to the trip they just took with their elderly mother or father to a hospital. This is creating incredible apprehension. I think there's a general unease just because of what's going on around people, and I don't think this committee should ignore that. I don't think you should get caught up completely in the graphs and charts and people who sit here and talk about how great the tax cut is and not once in their whole half hour do they mention the words "health care."

The Chair: On behalf of the committee, gentlemen, thank you very much. We have run out of time.

The committee recessed from 1213 to 1303.

The Chair: If I can get your attention, we'll bring the committee back to order.

Mr Arnott: Mr Chairman, I just want to draw to the attention of the members of the committee that CAA Ontario, the Canadian Automobile Association, has sent a written brief of four pages. They've outlined very succinctly and directly the concerns of their membership. I just wanted to make sure that all members of the committee had an opportunity to read it.

The Chair: Every committee member has a copy of the letter. It will be filed with the clerk.

CANADIAN TAXPAYERS FEDERATION

The Chair: Our first presenter this afternoon is the representative from the Canadian Taxpayers Federation. I see you're already comfortable. On behalf of the committee, welcome. You have 30 minutes for your presentation. Could you please state your name for the record.

Mr Walter Robinson: Thank you, Mr Chair. My name is Walter Robinson. I'm the federal and Ontario director for the Canadian Taxpayers Federation.

I trust, Mr Chair, that we'll have some of the other members trickle in shortly. I was watching the hearings on TV and you had a busy morning.

I presented my brief in front of you and I will just highlight various key points out of it for about the next 10 minutes, and then be open to your questions.

By way of background, the CTF is a 10-year-old organization. We are non-partisan and not-for-profit. We do not receive any federal or provincial political contributions, nor from governments, nor am I or any members of our board of directors allowed to hold memberships in a political party while we are employed by the Canadian Taxpayers Federation.

We have a threefold mandate: to act as a watchdog on government spending, to advocate on behalf of taxpayers to get involved in the political process and exercise their own democratic rights and responsibilities, and to advocate fiscal and democratic reforms through presentations to legislative committees such as yours this afternoon.

Very clearly, the focus of our pre-budget presentation to you deals with four key areas. The first is the provincial debt. While we have been appreciative and supportive of many of the efforts made by the current

government in reducing the tax burden, we believe at this point in time—and it should have been much sooner—we must turn our attention to the provincial debt. In our paper we highlight that the provincial debt is now at about \$20,000 per taxpayer, looking at the growth of the provincial debt on page 8. While the debt itself has receded from its torrid growth rate through the early 1990s, it continues to inch upwards.

I have seen the presentations and the debate that Mr Phillips has had with Mr Galt in the committee with respect to the Hydro debt and those sorts of issues, but, at the end of the day, debt is nothing more than deferred taxes. If you want to cut tomorrow's taxes, reduce the debt today. Whether it be federally or provincially, in your case, debt is nothing more than an intergenerational transfer of wealth. It is a tax-evasive manoeuvre, where we benefit today and our children pay tomorrow.

What we have advocated is a legislated schedule of annual debt reduction payments of 5% of gross provincial revenues. It would be in the neighbourhood, to start, of about \$3 billion per year. You will note further in our submission that we believe some of this money can come from the province's increasing reliance on user fees and gambling profits, those sorts of areas. We believe that provides a very false sense of security for the province if it continue to rake in those fees: (a) because that money, if it's going to be voluntary taxes such as gambling revenues, should go to debt reduction; and (b) because as long as you continue to have your increased revenue licensing fee take, it gives you cover to not exert the fiscal discipline that we believe is still necessary in terms of restraining program expenditures to the priority areas.

I can tell you, as somebody who has spent a lot of time at the federal level, that the challenges that will be placed on all of you as we move into a post-deficit era in this province are greater than the challenges that were placed upon you in the deficit-reduction era. People's expectations are much higher. They want government to play certain key roles in their lives, specifically in health care and education. It is your challenge to avoid the temptation of having government being all things to all people and to focus on those key areas of public good where people want their tax dollars spent.

The second key area of our presentation is an area of criticism with respect to the provincial government's lack of resolve on alternate service delivery or the privatization agenda. We still continue to ask the question, why is the provincial government in the business of liquor retailing? Why is the provincial government in the business of running French- and English-language broadcast services in a 500-channel universe?

We commend the government caucus for its agencies, boards and commissions review which it undertook early in the mandate, in 1995 and 1996. I believe it was Bob Wood chaired that. That provided a very good cursory overview of looking at what agencies, boards and commissions need to be strengthened and still have a very essential public policy role to play, what could be

divested to other providers, whether they be not-for-profit or other levels of government, and then what should be wound down in their entirety. Sadly, that report, which was a very good cursory overview, did not get the detailed follow-up or the legislative attention we believe it deserved. The telling case in that point is that in the first mandate of this government you had a minister responsible for privatization. You now do not have a minister responsible for privatization. In the absence of re-appointing a minister with cross-departmental responsibility to take a look at how you can continually evolve government services, because public services some days serve a function and 10, 15 or 20 years later certain agencies, boards and commissions do not serve a key public policy function, we would hope that you recommend to the Minister of Finance an ongoing, once-per-legislative review of all agencies, boards and commissions to see whether they're still serving public policy interests.

1310

The third area we'd like to focus on in our submission is a federal tax policy issue which has some very severe ramifications at the provincial level. On page 10 of our submission we talk about bracket creep. Many of you are aware that at the federal level the tax brackets are not indexed for inflation. People who simply keep pace with the cost of living in terms of their wage increases, if they're fortunate enough to get those, get themselves pushed onto the tax rolls or have more of their income exposed to higher and higher tax thresholds. This is a federal tax policy, but because the Ontario government calculates its tax payable as a function of federal tax payable, this policy at the federal level, this bracket creep, a stealthy, invisible taxation, affects Ontario taxpayers.

In a report we released earlier this week, on Monday, we highlighted that over the last decade a whopping \$90 billion has been paid in extra federal and provincial income taxes by Canadians for the past 14 years due to bracket creep. In Ontario alone, the bracket creep increase in 1999, the cumulative effect of extra taxes that Ontarians are now paying because of this federal tax policy, was \$1.2 billion. Over the last 11 years, Ontarians have paid an extra \$10.8 billion in provincial income taxes due to the federal tax policy known as bracket creep. I have a copy of that study. I will be more than willing to table it for the benefit of committee members this afternoon and leave it with you. We use numbers derived from Finn Poschmann at the C.D. Howe Institute. It's a very credible study.

What I'd really like to point out with respect to this issue of bracket creep is that it punishes all taxpayers, but most importantly it punishes working poor and lower- to lower-middle-income taxpayers. I am somebody who does not receive any federal tax credits based on my family income, but there are many people, federally and provincially, who do receive various entitlement payments or credits from both levels of government. Here in Ontario, this \$1.25 billion that taxpayers have paid in

extra taxes in 1999 alone disproportionately affects lower-income taxpayers.

So we have recommended, until Ontario moves toward a tax-on-income system—and we do applaud and support and appreciate that the government is moving in that direction—the government should provide some offsetting measures, either in terms of further income tax reductions or year-end adjustments when taxes are filed. I can tell you that these extra income taxes were approved once at the federal level. The extra provincial income taxes that were paid due to bracket creep never passed the Ontario Legislature. There was never a vote held on paying extra income taxes. If I may say so, as much as we've been supportive of the province's taxpayer protection legislation, this sort of continuous hidden increase violates the spirit and intent of the taxpayer protection law.

The last point I'd like to make with respect to our presentation before you this evening, because I'd much rather listen to your questions, is with respect to gas price volatility, and specifically gas taxes. If I may say so, we believe the current exercise in calling people before the gas-busters committee to talk about and investigate the volatility in gas prices—well, it's like an old saying: A committee is a group of people who take minutes and waste hours. Not this committee but the other committee, we believe, truly is doing that. If the other committee wishes to haul somebody before it to testify and talk about the volatility of gas prices and why they are so high, we believe that committee should call the Premier, the Minister of Finance and the transportation minister to ask why only about 43% of all gas tax revenues the provincial government currently collects are returned to road construction, highway development or public transportation initiatives. Public transportation spending is at an all-time low in this province, yet provincial gas tax collections are at an all-time high, as we clearly highlight on page 13—bad luck for the government, I guess—of our pre-budget submission to you.

Finally, I mentioned in my opening remarks that the government continues to rely on non-traditional revenue sources. We've taken the numbers from the budgets from 1995 to 2000. You can very quickly see that non-traditional revenue sources were stable at between around 10.5% and 10.6% for the last four years. They started to spike up to 13.28% for this fiscal year; these were the estimates from the 1999 budget.

As I mentioned at the outset, in a post-deficit environment the challenge is upon you to meet people's different demands, whether it be for health care spending or environmental initiatives or debt reduction or tax relief—the gauntlet of presentations you've heard in your hearings this month. The pressures will be immense. People have greater expectations in a surplus era. We believe you have to be as vigilant in restraining and controlling program expenditures in the post-deficit era as you were in the deficit era.

We've also advocated that if you're going to provide money for health care, which is an extremely important

area, you seek to reallocate within existing budget envelopes first before you jack up the spending envelopes again and again and again.

In health care specifically, the government has made many announcements in terms of returning some of its savings to health services restructuring or whatever the case may be, but there hasn't been that sort of follow-up, and I provide an example to you. The provincial government last year provided the Ottawa Hospital with \$6 million in one-time funding to help hire nurses in terms of the nursing shortage that you're facing here in Toronto and communities that you represent, and that your constituents are facing around the province. That \$6 million did not go to hire nurses. It went to the bottom line to reduce the hospital's deficit. That was not the intent when the minister made the announcement to stem a very acute nursing shortage.

So if you're going to spend, you need to have expenditure controls. If you're going to put money into those program and priority areas, you need to have outcomes-based measurements. We know that perpetuating the status quo, just spending after spending, is not the answer. We need to ensure that the money that's given to those institutions is tied to outcomes.

In summary, we believe that budget 2000 represents a crossroads for you. What you can do is keep your fiscal vigilance up, restrain and prioritize program spending, because it's now more important than ever, or you can sadly perhaps return to the old days of spiralling deficits and accumulated debt.

I say this with great personal conviction. One of the reasons why I do my job and why I enjoy doing my job is to ensure that when my son, who will turn two next week, is old enough to buy a house and pay taxes and earn a full-time living and raise a family, he has the dignity of ensuring that he can provide the most for his family, knowing that his tax dollars are going fully to fund public services and public goods and knowing that today's 16 cents out of every tax dollar which goes to pay provincial debt obligations will not be a burden or a yoke around his neck or that of his children and his family when he is ready to pay taxes. That's why we've entitled our submission this afternoon "Cut Tomorrow's Taxes by Reducing Debt Today."

There are other things in the submission. I look forward to your questions.

The Chair: Thank you very much. We have five minutes per caucus. We'll start with the official opposition.

Mr Phillips: Thank you for your presentation. I start on the debt, and I wondered where you were—someone else was here five years ago when the government decided to take the debt up by \$22 billion to fund the tax cuts and to implement tax cuts worth about \$5 billion a year in forgone revenue. Those aren't my estimates; those are the government's estimates. They figure that the amount of money in forgone revenue from the income tax cut was about \$5 billion, and you can see it's restrained the growth of personal income tax by the

figures you've shown here. I think the federal income tax has gone up by about 35% over that period of time and the provincial one is essentially up a very few percentage points.

The government has also said what they are going to do on debt reduction, and that is over the next four years about a \$2-billion reduction in debt: \$500 million a year. That's what they've said they are going to do, and I have no doubt that's what their plans are. I think your recommendation is, instead of \$500 million a year, \$3 billion a year. Where would you rank debt reduction in the debate: debt reduction, tax cuts or program enhancement?

Mr Robinson: A very good question, Mr Phillips. Let me deal with some of the issues you've dealt with and I'll get back to your question.

You talked about the tax cuts. It's an interesting parallel you draw between the growth in federal revenues, which I know very well, and it is about 35% over about seven years in terms of the current government's mandate, and almost the stagnation or let's say about a 10% growth, really, if you look from 1995-96 to 1998-99, about a \$1.6-billion increase.

1320

Where was I? I was in private industry five years ago, to answer your question. In terms of growth in provincial income tax revenues—and our organization supported the tax-cutting agenda; there's no doubt about that and I would not hide that—there were great cries that provincial revenues would be depleted, you would lose provincial revenues. In four to five years, the provincial government has now cut income taxes basically by about 35%. Personal tax revenues have not gone down; they have gone up marginally, by about 8% to 10%. That's a function of many things. The tax cuts have had a stimulative effect on the economy. There are also other issues—the auto pact, the growth in the high-tech sector, things that would have happened anyway; of that there is no doubt.

In terms of answering your question as to where debt reduction ranks with tax cuts and program spending, I think unfunded liabilities, which our debt is—and also health care is an unfunded liability, if I can square the circle there—are the most pressing public policy challenges that the federal and provincial governments face. Our debt reduction, as I note, is just deferred taxes, and we believe the \$500 million that was outlined by Minister Eves in his recent statement is insufficient. At that rate, you're going to take 200 years to pay down the debt. I talked about my son at the end of my presentation. The grandchildren of my son's grandchildren would still be paying off the provincial debt to pay for the excesses of what we've basically racked up in the last 25 to 30 years, in my lifetime. I think that's fundamentally immoral and is an intergenerational example of tax evasion. So debt is extremely important.

Let me just square the circle there. The other unfunded liability issue is health care. We know, through demographic pressures and technology costs and overutilization when people overconsume a product of perceived

free value, it's a simple economic truth that you will overconsume in health care. We know that we have \$1.2 trillion as a country in health care expenditures that we have no way of funding. We know we're going to incur them. We're going to get old; we're going to live for 30 and 40 years past retirement. We have no way of covering those, even through our basic taxation system now. I haven't addressed that because health care policy is not my great mandate, but I'd love to come back and speak on that at another time if you ever do a special subcommittee studying it.

The issue is that we would hope the provincial government would take a leadership role in acknowledging the fact that we have a blend of public and private medicine in this country. We always have. Every European nation has a blend of public and private medicine. We need to find out what the public system is going to support for the greatest good, ensuring that those principles of equality of access regardless of income are maintained, and then what else we can do on top of that. You'll notice that I didn't mention the American system.

To answer your question, debt reduction is an unfunded liability. We need to get rid of our debt. Health care is also a future unfunded liability. We need to prioritize program expenditures, which is why we've asked for a further move on privatization in terms of selling off some Ontario crown corporation assets and getting the best value or putting out those tranches of stock capitalization so we can ensure a revenue stream to fund those important program areas.

Mr Christopherson: Thanks for your presentation. I would draw to your attention that early on we heard from a senior economist from the Royal Bank. He suggested that the younger generation—and by that I think he meant even younger than yourself. The boomer generation benefited from the expenditures that created the debt in terms of it building our society; we benefited from that. As boomers, who are in their peak earning powers, are now also getting the benefits of a tax cut, this economist was suggesting that the generation that's coming up—I have a young daughter who is seven, so it would be her generation—may be fair in looking at our generation as pigs at the trough.

I disagree but can appreciate and understand that you might want to make debt reduction the number one priority or that you might want to continue with the Harris philosophy and believe that tax cuts ought to be the number one priority no matter what. But I'd like you to explain to me how you think both should happen at the same time when—and I know that you've been watching because we talked earlier; I know you've been paying attention to these hearings—you will know that we've had some very credible people come forward and talk about the crisis that exists in our health care system, the crisis in our education system, the crisis in our environmental protection. All these things are being eaten away.

It was pointed out in the story on the front page of the *Toronto Star* by the wife of the man who died that he was

a big supporter of the cutbacks, so I would assume he was probably a Harris fan, yet when it comes to the reality of how you go about paying for these tax cuts, there wasn't a bed for him in the hospital system. You like to square the circle. Square that one for me, please.

Mr Robinson: A very good question, Mr Christopher-son. Let's be very clear: If we continue in our publicly funded, pay-as-you-go health care system, we will never square the circle. Demand is outstripping our capacity to pay, whether that be for pharmaceutical medicines, hospital beds, much-needed capital improvements, MRIs at \$3.5 million a pop or lithotripters for kidney stones which cost about \$800,000 a year to run. As long as we continue in this fiction that only the public system is the be-all and end-all in terms of medicine and health care in this country, we will never be able to square the circle. I can't pull a rabbit out of the hat and work miracles in that regard.

If we have a government that is willing to provide performance outcomes, which it has not done so far—and I mentioned that example in terms of the Ottawa Hospital for you—and strings attached to the money that is provided to health care institutions and other providers, then we may be able to start managing a bit of that money.

Moving back to the issue of tax cuts, you will recall that in my presentation I focus on the issue of bracket creep. I'm really alarmed. I've heard some of your allies in terms of organized labour who spoke here this morning, and even your party, who have not addressed this at all, not one iota. It's really surprising on the tax-cutting side because, yes, it's a federal tax policy but the provincial government benefits from it. We've seen in Alberta and New Brunswick and other areas where they're moving to decouple from the system so they don't benefit or punish their constituents and taxpayers because of that policy. Supporting our move on the bracket creep agenda would be the intersection of very good fiscal policy and great social policy in terms of ensuring that the people who most need the money don't have their credits and benefits eroded.

Mr Christopher-son: You asked me beforehand, did we address it, and I said no, I don't believe we did anywhere. You mentioned that you thought it was an area we'd be interested in and I said we'd keep an open mind on it. As the finance critic, I will commit to that. We'll take a look at it.

I want to come back to health care. Here's where I have a bit of a problem. When people say, "We can't afford the public health care system," the impression is left that somehow by taking it out of public hands it won't get paid for, that we don't have to worry about paying for it. It's got to be paid for somewhere. I've got to believe you're a big fan of, "There's no free lunch." So either it's paid for by all of us collectively chipping into the middle, into the pot, if you will, and then providing a health care system that's available so we don't have people like we have on the front page of the Toronto Star where there isn't a bed when they're in a dire emerg-

ency—because none of us is going to build hospitals on our personal savings, certainly not anybody I know—or we go the private route and pay it through private insurance, through the premiums.

The fact is, when you look at the comparisons, the American system where there's a lot more privatization—in fact, it's almost totally privatization—is not as efficient as ours. You mentioned the OFL presentation. We heard from Ross McClellan that there is a \$6 advantage to us in terms of our competitiveness vis-à-vis our auto workers in Ontario as compared to those in the States because we have universal health care. It's something that we all contribute towards and it's not something that Ford or Chrysler or GM alone has to provide to their workers, as they do down in the United States, in order to meet their contractual obligations.

If the only two choices are private or public, our system, while it's not perfect—far from it—is more efficient than the American private system. I don't understand how it's supposed to be beneficial to the average working middle-class family to go away from the public system and expect that somehow we won't have to pay for this any more because it's not within the public domain.

Mr Robinson: Very good questions again. Let me start with the only area where we're going to agree, on the small point that regardless of whether it's public or private we're going to have to pay for it. Of that there is no doubt.

Let me point out two 100%-less-than-truthful statements you have made. One is that we have a universal system. We do not have a universal system.

Mr Christopher-son: Less than truthful, or you disagree with me?

Mr Robinson: They are less than truthful. They are categorically untrue. We do not have a universal system; we have a rationing system. In the pure fiction of the American model, people ration by cost. In Canada, we ration by waiting lines. That's why we have 200,000 people on waiting lists in this country. That's a fact. Ignoring it will not make it disappear.

1330

To deal with your assertion that our system is more efficient, by what measure is our system more efficient? Is it a function that we spend less of our GDP? Well, let's take a look at that. We spend less of our GDP in Canada. We spend 9% of our GDP on health care. In the United States it's about 14%. It's 14% for a couple of reasons. One is that the University of Texas M.D. Anderson Cancer Center spends more on research and development in its cancer clinics than the entire government of Canada and provincial governments combined. There's a fundamental cost there. The reason why they spend more is because they have a slightly older population and demographic pressures have kicked in. The reason why they spend more is they have greater acuity of disease in terms of heart disease, cancer, AIDS, a whole bunch of inner-city, urban problems to deal with which also clog up the health care system.

The other issue to deal with is efficiency. A lot of people will say that because of the high insurance premiums people pay and that we don't have that sort of paper jam in our system, we're more efficient. Well, in terms of looking at HMO providers—there are literally thousands of insurance companies that provide health care insurance in the United States—they have a paper trail. You can ask, "How well are you doing in providing services to your people?" They have a paper trail. They can tell you, "In certain plans it's 48 hours or 72 hours for an MRI." In Canada we do not have that paper trail. Minister Rock at the federal level has embarked on a \$143-million initiative, which we support, to measure what we're getting for our combined \$83.5 billion that we spend on health care each year. Because right now if you ask anybody around this country, "How long does it take you to wait for an MRI?" in Ontario it's about four months, in BC it's about seven months. We have four provinces, including this one, that send their Workers' Compensation Board patients to the United States of America for care because they can't get it here. Our system is not more efficient; that is fundamentally untrue.

The last thing to measure is in terms of the GDP growth. What we need to measure is the per capita growth in health care expenditures because our economy as a smaller unit has grown considerably more than the larger American economy, which has a greater critical mass and lower unemployment. So when you measure percentage of GDP expenditures, as many people—and I've heard you argue in the past and your colleagues argue that that's why our system is more efficient. There's a numerator and there is a denominator, and the denominator is the GDP. Our GDP growth has been great, so any inefficiencies in our system or cost overruns are massed in that 9% figure. You need to measure per-capita expenditures and we're at 4.4% to 4.5%—

The Chair: Sorry, but I have to move to the government side.

Mrs Molinari: Thank you very much for your presentation. I focus on some of the comments that you've made in your conclusion. My colleagues have some questions, but I'd just like to make a few comments. For elected officials, it's certainly a balancing between what one presenter says and what another presenter says, so I thank you for recognizing the difficulty of our job in doing that. I agree with your comments that choosing the path of political expediency without clear plans is a recipe for fiscal chaos; we agree with that as well. Trying to balance all of the requests and looking to any decisions that we make, our long-term decisions, will benefit all Ontarians throughout the years and not just for the immediate needs. So I thank you again for your presentation. I concur with some of your concluding comments.

Mr Arnott: Mr Robinson, I noticed in your written presentation the fact that you've commended the provincial government "for passing Bill 7, the Taxpayer Protection and Balanced Budget Act, into law on November 23, 1999. This law covers the majority of provincial tax acts and outlaws future deficits ... and binds governments

to holding referenda on any future tax increases." Of course, that legislation was passed at third reading in the fall. I just wanted to know if you would care to rank the current provincial government relative to other provincial governments over the last, say, 20 years in terms of their response to the overall agenda that your organization proposes.

Mr Robinson: This government has done better, in our view, than the previous NDP administration, the Liberal administration or the Davis administration, in terms of working through your 20-year time frame, Mr Arnott. I would add, though, that we commend the government although it took this government five years to finally live up to its pledge. After two strikes and many foul balls, Mr Harris finally hit a home run for taxpayers, but it took the prodding of the opposition in the last campaign, using some of our words and criticism of the government, to finally make the government pass that law.

Mr Phillips: Keep us out of this.

Mr Robinson: Mr Phillips, I'm only going by the screaming letters I saw on those Liberal campaign ads in May and June with our "CTF" right underneath.

The issue for us though is that we'd like to see the legislation go further in terms of encompassing tobacco taxes, and I know there's an issue there in terms of joint federal-provincial administration you have in tobacco taxes, and also in alcohol taxes and those sorts of other areas where I note the growth in non-traditional revenues which can lull you into a false sense of security because those non-traditional revenues that are growing are the first to go in times of an economic downturn. Your lottery proceeds, which are a tax on people who are bad at math—although I admit if Super 7 is \$18 million on Friday I might buy a ticket—your other gambling revenues and some of the sin taxes in terms of tobacco and alcohol revenues and then also your fines and licences and stuff—some of those are functions of economic activity, and in an economic downturn you won't have that. That's why we pointed that out.

The Chair: We've run out of time. On behalf of the committee, thank you very much for your presentation this afternoon.

Mr Robinson: Thank you, Mr Beaubien. I'll leave the bracket creep study for you and I'm sure I'll engage Mr Christopherson again. Appreciate your time.

ONTARIO CONFEDERATION OF UNIVERSITY FACULTY ASSOCIATIONS

The Chair: Our next presenter this afternoon is the Ontario Confederation of University Faculty Associations. On behalf of the committee, welcome. You have 30 minutes for your presentation this afternoon. If you could please come forward and state your name for the record.

Dr Deborah Flynn: I'm Dr Deborah Flynn, president of the Ontario Confederation of University Faculty Associations.

The Ontario Confederation of University Faculty Associations is very pleased to make this presentation to the standing committee on finance and economic affairs on behalf of over 10,000 university professors and academic librarians. For many years now, OCUFA has approached these hearings as an opportunity to document the corrosive effect of two decades of inadequate funding on the quality of higher education in Ontario. While it continues to be important to reflect on the past, with the advent of a new millennium we feel it has become more important to focus on the future.

The mission of advanced education must not be limited to rapid skills training and to job placement. While important, these objectives must be complemented by the need to teach people to think freely, openly, unprejudicially and to respond creatively to the world's challenges. Post-secondary education must teach people to sort and to evaluate information in this input-laden era. And it must help our society to discern what is good to do among the things that are possible to do. Ours is a knowledge-based economy. Now, more than ever, a re-invigorated university system is vital for ensuring that the potential of society is realized.

In the Ontario Economic Outlook and Fiscal Review tabled in November 1999, the Minister of Finance announced that the government had exceeded its deficit target of \$2.1 billion by more than \$1 billion for the budget year 1999-2000. The province is on track for a balanced budget in 2000-01 and the minister's own projections conclude that a strong economic growth will continue. But the minister also noted that it is essential to make "the right investments to sustain our economic competitiveness."

OCUFA believes that in this knowledge-based economy the right investment is to recommitment to a world-class university system that can lead Ontario into the 21st century. In our written brief, we have provided committee members with a detailed analysis of our concerns about the future of Ontario universities. We have highlighted our concerns about accessibility, the government's tuition policy, student debt, student assistance, and the emerging enrolment pressures and efficiencies in the physical plant confronting our institutions.

OCUFA's recommendations on each of these issues are outlined in the executive summary provided on the first two pages of our written summary. This afternoon, I would like focus the oral presentation on our two primary concerns: the impending shortage of faculty members throughout the university system and its impact on the quality of post-secondary education in Ontario, and the issue of accountability as seen by this present government.

As members of the committee will know, the single most important factor in both the teaching and the learning process is interaction between students and faculty. It is absolutely essential therefore that as we prepare our students to participate in the knowledge-based economy we can keep the student-faculty ratio low enough to ensure that our graduates will receive the kind

of education which will help them compete in the global economy. At present, Ontario is ill-equipped to meet that challenge, making faculty renewal a critical issue.

1340

Three factors in particular are contributing to faculty shortages at our universities. First, Ontario has already lost over 2,000 full-time equivalent faculty members since 1990-91, representing over 15% of the total complement. This loss is directly attributable to government policies. Funding cuts have led universities to offer early retirement packages in order to save costs, while further savings were realized through layoffs, unfilled vacant positions, days of unpaid leave and salary cuts or freezes. Already this has had major implications on the quality of university teaching and research, and the loss of faculty to other jurisdictions.

The second factor contributing to the magnitude of the faculty shortage is the anticipated record rate of retirement by professors over the next 10 years. Currently, one third of the professors in Ontario are between the ages of 55 and 64. These faculty will be lost due to retirement just as student enrolment begins to crest. Universities across North America confront a similar challenge, suggesting that Ontario will be competing against every other jurisdiction to fill a high percentage of its current academic positions as these become vacant over the next 10 years.

A compounding factor affecting the magnitude of the faculty shortage is the drastic increase in projected enrolments. One-for-one replacement hirings will therefore not be enough to deal with the anticipated demand. The need now is not just to stabilize the system, but to prepare universities to meet the challenges ahead.

Already student-faculty ratios at Ontario universities have reached unprecedented levels. Between 1988-89 and 1997-98, the ratio of full-time students to full-time faculty members has risen by over 30%. This represents the highest student-faculty ratio in Canada, exceeding the average of the nine other provinces by more than 20%.

In order to lower this ratio, to offset faculty losses and to meet the new projected demand, 13,000 new faculty members will need to be in place within the next three years. A commitment to faculty renewal at this time is certainly not a luxury, particularly for a government that claims to be serious about maintaining Ontario's edge in the knowledge-based economy.

OCUFA calls for an immediate financial commitment to ensure that universities can begin now to implement a plan for the necessary recruitment and retention of faculty. Not including recruitment costs, but accounting for average salaries, benefits and the cost of staff support, this would require an additional expenditure of \$1.4 billion.

When thinking about the role of faculty, the duty of teaching is often at the forefront of our minds. However, constraining the research capacity of universities reduces their ability to attract and retain the very best faculty, which in turn has caused concern about Canada's ability to remain competitive in the international marketplace.

Canada depends on its higher-education sector for almost one quarter of its national research and development effort. Most major technological advances of the second half of the 20th century, including those in the new biotechnological industries, telecommunication and the development of new materials for manufacturing, originated in university research. No other G7 country relies so heavily on its universities for R&D. Since Ontario is home to 40% of the scholarly and research activity in Canada, the innovators that our Canadian economy relies upon are the faculty and student researchers right here in the Ontario universities.

Given this link between Ontario's ability to compete economically and the strength of university research, it is hardly surprising that 94% of Ontario business leaders surveyed by Angus Reid supported increasing funding for university research. What is surprising, however, is that a government for whom the yardstick of its own success is the performance of Ontario's economy has failed to adequately support the research capacity of its universities. It's not as if the government were unaware of the system's shortcomings. After all, it commissioned and received a report recently by Heather Munroe-Blum entitled *Growing Ontario's Innovation System: The Strategic Role of University Research*, which specifically points out, "The government of Ontario fails to provide the funding required to conduct internationally competitive research." OCUFA encourages the government to heed the advice it sought, instead of continuing to cut operating grants and circumscribing both research and capital allocations.

Instead of supporting research through block operating grants, the Ontario government has moved towards a model premised on public and private sector collaboration. For example, in the May 1997 budget, the Ontario Research and Development Challenge Fund was created. Yet instead of providing broad-based research support, the fund primarily focuses on support for research-intensive universities which conduct applied research in the natural sciences, engineering and the health sciences. Disciplines and universities not geared to the production of applied, commercially viable research have difficulty accessing this fund.

In a climate of limited resources, universities will be tempted to divert support away from less "lucrative" basic research as well as social science and humanities research in order to lever money for the matched fund. Yet, as Munroe-Blum points out, this kind of research policy is extremely short-sighted. Not only does innovation draw on the full range of sciences, humanities and social sciences, but Ontario's current approach puts the province at a competitive disadvantage vis-à-vis its Canadian counterparts. According to Munroe-Blum, Ontario's lack of a coherent research policy has placed the province behind Quebec, Alberta and BC in attracting federal grant awards.

The government's ad hoc approach to fostering innovation is reflected most immediately in its reductions to basic research support. Whereas in comparable US

jurisdictions, state research infrastructure funding as a percentage of total cost ranges between 50% and 120%, Ontario's support currently lies at 10%. A decade ago, government support was closer to 20%. A similar comparison emerges when Munroe-Blum examines Ontario and Michigan. While Ontario's spending on research and development represents a mere 1.77% of its economy, Michigan's investment is an impressive 5.12%.

Premier Harris's own words suggest that he understands the critical link between university research and economic competitiveness. In 1997, he noted, "Theoretical research is absolutely crucial to our ability to lead and excel in the race for the new ideas of the next century." In practice, however, his government's actions undermine his stated objective.

To marry the two, OCUFA urges the government to act on the recommendations that have now been made in two government-commissioned reports: the most recent Munroe-Blum report and Framework for a Research Policy for Ontario, authored by David Smith back in 1997.

OCUFA urges the government to adopt and support a comprehensive research policy. Specifically, OCUFA supports the call for a balance in the support for both basic and applied research, recognition of the neglect in support for the social sciences and the humanities, wider recognition of the importance of integrative-interpretive research, as well as recognition of the linkage between research and teaching and the concomitant need to recruit and retain exceptional faculty.

1350

Before turning the floor over to give you an opportunity to ask questions, let me close by reflecting on the government's objective of achieving greater accountability in the university sector.

OCUFA certainly agrees that universities do not exist in a vacuum. They are an integral part of society as a whole, and clearly linked to the performance of both local and national economies.

We are concerned, however, about the government's attempt to measure university relevancy simply in terms of the institutional ability to undertake job training. While it is true that students are often attracted to universities because as graduates they will earn more and are more likely to get jobs than those with less education, the mission of universities is not simply rapid skills training and job placement. As a result, the performance indicators currently in vogue with this government tell only part of the story. To properly assess the university's performance, it is not enough to focus simply on graduation rates, graduate employment rates and OSAP loan default rates. To threaten to tie university funding to performance evaluations based on such a limited range of indicators is to completely misunderstand the role of universities in delivering a much larger public good.

Ironically, while the government purports to be pursuing these measures on behalf of Ontario taxpayers, both members of the general public and the province's business leaders understand that other factors are equally

important in assessing universities' performance. For example, while Ontarians value the impact of university research on economic development and innovation, they also value research for its contribution to the public good. To rely on quantitative measures only would be to misunderstand the motivation of survey respondents when 94% agreed that increased funding for university research must be a priority. To propose a series of more appropriate performance indicators is clearly beyond the scope of this submission, but OCUFA would encourage the government to create a new academic advisory committee to act as an arms-length agency for providing a system-wide overview of university programs that is based on peer review. Any future measures on program evaluation must have faculty representation to reflect the fact that faculty create and deliver those higher-education programs.

In the meantime, the government should act in the knowledge that Ontario taxpayers do indeed value what universities have to offer. Their only fear is that the past standard of excellence may not be maintained in the future. They are concerned about the fact that Ontario isn't keeping pace with its American counterparts. They know that while state appropriations in comparable US jurisdictions had increased by an average of 32% in the last five years, Ontario's support for higher education has decreased by 8% over that same time period.

Ontarians know that this kind of underfunding won't keep our graduates competitive, and as a result, fully 88% of Ontarians surveyed agreed that increased government funding for universities should be a priority. Our submission has indicated that Ontarians are quite correct. The Minister of Finance has indicated that the province's fiscal framework finally allows for significantly increased spending. All that's left now is for the government to take accountability seriously and to make the investment necessary to satisfy this public demand. Thank you.

The Chair: We have two minutes per caucus.

Mr Christopherson: Thank you for your presentation. We don't have a lot of time. I have two quick questions. One is, we hear from a lot of people on the business side of things who continue to argue that tax cuts are the number one priority and ultimately will benefit everyone, and that that's why every one of us should agree that that's the priority. To put your words to it, what argument would you make that an investment in our post-secondary education system, our university system, is such a high priority that even if the tax cuts have to be delayed, or forgotten, or set aside, it's worth doing.

Second, one of the members of the government side talked earlier—it's in the Hansard and I am paraphrasing—about the fact that one of his daughters was taking arts and humanities courses at university. He spoke of how almost cute that was, that it was nice and important for her, but it really wasn't going to lead anywhere. I think a lot of us were taken aback by that. If you could address those two things, I'd appreciate it.

Dr Flynn: Let me address the second comment that you made first. It's certainly an irritant for me as well when people speak of higher learning in that way. I think it's indicative of perhaps some qualities of the person and their value of knowledge themselves. A university education is not simply to provide a job for someone; it's to educate someone. The present government seems to fail to recognize the difference between training someone and educating someone. What we would hope for the Ontario public is that we have an educated public that's going to move into the 21st century.

With regard to some of the comments that have been made by the Premier, yes, some of those people even study Greek and Latin and still have a significant contribution to society as a whole. We first of all would also like to state that those students who graduate in the humanities and social sciences do indeed become employed. As a matter of fact, the statistics that we have in front of us are that after six months, in the social sciences we have 89.3% employed, and in the humanities, 91.8% of those people are indeed employed. It's not as though those graduating with a general BA are not employable, because they certainly are. What we hear from the business sector is that they want people who are not necessarily trained—most of those individuals are trained on the job—but they want someone who is taught to think critically and who can learn, and that is what universities do.

Mr Galt: Thank you very much for your presentation. I appreciated your concerns.

The area I want to explore is teaching techniques in the future for universities. Back in, I believe, the 1960s there was a bill passed that essentially gave the monopoly to Ontario universities to grant degrees within the province. We're now seeing other universities granting degrees in Ontario via the Internet. That, I understand, is happening at quite a high level, or significant anyway.

I'm wondering about how you're changing and teaching technology more efficiently. I think back to the early 1980s when I did post-graduate training in veterinary pathology. I was absolutely amazed when I could sit in a room with a carousel of Kodachromes and a diagnostic sheet—this is a very hands-on activity; excuse me, in pathology maybe I shouldn't talk about hands-on—and how much you learn from that. Today, I wouldn't have to be in that university; I could do that at home. This is a very expensive course, parallel to medicine and dentistry.

What are we doing to move into this 21st century as universities to make sure that we are as efficient as possible? Because if we aren't, others are going to do it and sell into Ontario, and we're going to be lost. We need to be selling outside, because we do have this kind of knowledge-based culture. I think that was the term you used a little earlier.

Dr Flynn: Knowledge-based economy. I think if you take a look at the high levels of enrolment in the universities over the last 10 years, the universities are anything but inefficient. If you look at the numbers of faculty that have been lost in the province and look, over that same

period, at the numbers of students coming into the universities, universities have become more and more efficient.

I think the point you made is a very good one. Hands-on experience is very, very important. What we see many of our programs doing now—and I can give you an example of what happens in psychology at my own university—is that because the lecture halls are so enormously filled with students, we have to create part of the course that is a hands-on experience so that we have fewer numbers of students dealing with a professor to learn some of the things that you've talked about that simply could not be learned in a lecture hall of 200, 300, 400 and 500 students at a time.

We have been creating smaller labs, for example, to accommodate more hands-on experience. That's one of the issues that we're trying to confront. Right now we simply don't have the professors to deal with the numbers of students. We are using all kinds of new technology. We have universities that have live professors and, in other rooms, we have students who are sitting watching that professor on video because we simply don't have a room large enough to accommodate all of the students. So we are using the Internet, we are using high technology, but there are no studies to indicate whether the quality of that education is just as good over the Internet or using these forms of high technology as opposed to the learning experience that one has sitting in a live classroom classroom with a professor. We certainly believe that if we're going to maintain the quality of education, we need to keep the ratio down as low as we can. Right now, we have probably the highest in the country, and that's simply unacceptable to us.

1400

Mr Phillips: Thank you for a very thorough presentation. You've raised many points with too little time to debate them. But two that caught my eye were, first, your comment on challenging ourselves to evaluate things on more than just the material side of things. It reminded me of a comment—I think it was made at this committee—by one of the government members, who said people on social assistance want to make a contribution to society but can't unless they get a job. I don't buy that; I don't agree with that. Many people on social assistance do not have the technical skills for a job or may have other challenges, but can make a meaningful contribution to society without "a job" in a thousand other ways. Similarly, I think you've got your finger on, yes, we should measure how well one is prepared for the workforce, but that will not be the only measure.

I'll ask both my questions because sometimes we don't get a chance to ask two questions.

Dr Flynn: OK, and I'll try to be quick.

Mr Phillips: The second one that you raise is a matter of growing concern, and that is, "In the absence of reasonable tuition fees and adequate student assistance, students from low-income families will be disproportionately unable to further their formal educations." I worry a lot about that. I think one thing that has dis-

tinguished Canada is that young people, regardless of their background, aspire to and have been able to pursue post-secondary education.

I wonder if you might comment on both those issues for us a little bit, and any advice you've got for us on them.

Dr Flynn: The lower-income issue is a very interesting issue because it has come up quite recently in the media with regard to the Premier stating that there have been studies and studies and studies done in the area that indicate that rising tuition does not affect lower-income students. In fact, there have not been any studies done in the area. We've requested these studies. What we have found is a very old study done by Stager, an 11-year-old study, and the other two were commentaries that were made by individuals that had no basis in data for these comments.

We're not only concerned with lower-income students being affected by increases in tuition but also with middle-class students being affected as well. We have families in the middle class that are able to hold a mortgage, to support themselves, but simply don't have the funds to put away for a university education, and those students do not get OSAP loans because their parents are making too much income. So we have a great concern with the rising tuitions. That is certainly an area where we would like to see the government have a study commissioned and see what impact increases in tuition have on lower-income students, because these policies are based on absolutely no data whatsoever.

The Chair: On behalf of the committee, thank you very much for your presentation this afternoon.

GREATER TORONTO HOTEL ASSOCIATION

The Chair: Our next presentation is from the Greater Toronto Hotel Association. On behalf of the committee, welcome. Could you please state your name for the record, and you have 30 minutes for your presentation.

Mr Rod Seiling: My name is Rod Seiling. I'm president of the Greater Toronto Hotel Association.

I want to start by thanking the committee for giving us this time today. I think you have a copy of our submission. I put it in bullet form to be a little more brief and hopefully allow some time for questions.

I do want to say that the Greater Toronto Hotel Association and its members support the general policy direction of the government of the day. We certainly believe that lower taxes, whether they be personal, indirect such as employer health, property tax—and I'm going to comment on that later. We deeply appreciate the efforts to date which the Minister of Finance has made to try and reform the property tax system. It was 40 years in getting, shall we say, screwed up, and obviously in one year it's not going to be fixed, but it's certainly a start and we want to give him some credit for having the courage to make that start.

Also, in terms of corporate taxes I would like to point out that right now the corporate taxes on the service

industry are 25% higher than other corporate taxes. Given that the service sector is now the engine of the economy in this province, I hope the minister and this government will take a look at the tax on the service industry in the corporate field, because if we want to have those industries thrive and prosper and create more jobs, I think we need a level playing field in that area.

We also want to congratulate the government on removing red tape, again reducing debt, its Taxpayer Protection Act, and progressive legislation and regulations, whether it be on workers' compensation or the Safe Streets Act. I know some people are less than supportive of that piece of legislation, but I can tell you from our personal involvement and the comments that we are receiving from our guests here in Toronto that the once lofty position of "safe and clean" was fast eroding by the fact of the aggressive panhandling and squeegeeing that is taking place here. It's something that we pride ourselves on here and hopefully the new tools will allow the police to help correct that.

I must say that tourism benefits from this type of legislation, and tax-cutting especially, because tourism relies on discretionary income. The more income taxpayers have, the better it is for our businesses because we're able to compete for that discretionary income.

A little bit about the Greater Toronto Hotel Association: We represent about 130 hotels here in the city, with approximately 32,000 rooms and more than 20,000 employees. We've been in place since 1925, and I should add that we're about 40% of the hotel industry in the province, which is approximately the same as the greater Toronto area representing the tourism business.

Tourism is a key to economic growth. It's not a frill. It's the fastest-growing industry in the world. In Toronto alone, it's the second-largest industry, only behind the financial services sector. It's an export. It brings fresh dollars to this city and this province, and it's a crucial source of income for government. For every dollar spent by tourists, 41 cents goes to the three levels of government: 19 cents to the federal government, 14 cents to the provincial government and eight cents to the municipal government.

The competition for the tourism dollar is getting greater and greater. Virtually every jurisdiction and country in the world has realized and recognized that tourism is a great way to grow their economy.

It's also a great way to create jobs, and it's the jobs that we like to call "point of entry." We specialize in giving people their first job, or people who are being retrained and coming back into the workforce, whether they've been laid off or retired. They come back in and learn new job skills. We're the perfect place for them. Not everyone will stay in our industry, but they learn new skills, learn how to work in the new economy, and move on.

In terms of economic impact, you have figures in front of you based on 1998, both for the province and Toronto. You will note that initial tourism spending is over \$11 billion province-wide and over \$3 billion here in

Toronto; in terms of wage income, \$7 billion province-wide and a little over \$2 billion here in Toronto; in terms of output/sales, \$23 billion province-wide and almost \$6 billion here in Toronto. In terms of the number of jobs, though, you have 332,000 province-wide. The Ministry of Tourism is now saying there are well over 400,000 jobs in the tourism industry. As of our 1997 survey, there were almost 80,000 jobs here in Toronto.

In terms of taxes, you'll see over \$4 billion province-wide and \$1.2 billion here in Toronto in total: federal taxes, \$1.8 billion province-wide and almost \$600 million here; provincial, \$1.5 billion and almost half a billion here in Toronto; municipal, \$808 million, and \$255 million here in Toronto. I should point out that of that \$255 million, over \$160 million is in property taxes alone, and I'll come to the property tax issue later.

Hotels really are the backbone of the industry. We're not the main reason why someone comes to visit a location, but the accommodation must be there for the system to function well. So the fiscal health of our industry is an accurate barometer of the overall health of the tourism industry.

I'll give you some figures on the economic impact. Here in Toronto we contribute \$1.2 billion to the gross domestic product—that's based on the 1997 survey by KPMG—and 22,000 jobs. An interesting stat for you: Over half the room nights sold in 1997 were to visitors from outside the province of Ontario; 2.3 million room nights were sold to visitors from the United States, with an additional 800,000 to those from overseas. So we are the gateway to this province.

Again as I said earlier, total tax revenue generated by Toronto hotels for the three levels of government was over \$600 million, and \$161 million of that was in property taxes alone.

1410

We do have some concerns for the future. The future success of tourism is in jeopardy. Although we're doing much better, I must say that we're not doing as well as people think we are. We're losing market share. Return on investment for the hotel industry is marginal. Our tourism product is declining and hotel expansion is stagnant. When you compare that to what's happening in other major cities across North America and even in Canada, we're a real anomaly. There is no hotel construction going on here in the city.

In talking about future success, fact number 1, and I want to talk about this, is that we're having a slow recovery from the recession.

Our property tax burden is still too high despite the benefits to date of the current legislation and regulation. Our return on investment is not competitive.

We need to recover market share here in Toronto. We're losing market share.

We've got inadequate funding for destination marketing.

Finally, our image here in Toronto is at risk.

I want to conclude with a summary and some proposed solutions.

Fact 1: Despite recent improvements, Toronto's hotel industry is still a long way off from doing what it needs to do in terms of performing well economically. In the mid-1990s, our industry was virtually bankrupt. Occupancy rates declined by 24%, from 76% to 53%, between 1988 and 1993. Average room rates—our revenue—declined by 12% during that same period. Even in 1998, hotels had the "Vacancy" sign on for more than 275 nights. Despite the fact that most people believe Toronto is virtually sold out, that's not the case. Recovery has lagged behind other jurisdictions in North America.

I apologize for the next chart. These charts were supposed to be in colour, but again with modern technology the colour printer did not work, so you've got them in black and white. But you can see there that the top line is average daily rates and the second line is our occupancy. You can see where we've come from in 1988 to where we are now. I can tell you that based on 1999 figures, our occupancy has actually dropped off about a half per cent in 1999, although our rate has continued to increase and we're going to see about a 6% or 7% increase in average room rates. You can see at the bottom of that sheet where it shows you the average nights per year that we've had with rooms available. In other words, in 1998 one in every four rooms across the city was empty.

I'm going to move on to average daily rate. Actually, I will take you back to show you occupancy performance and how we compare against other cities, and again I apologize. The top line is New York. That's what we call nirvana. You can see they are well above the 80% occupancy. The next line is Boston. The one below that is Chicago. Vancouver is one that's decreasing, and the reason for that is that they've had rapid expansion and the supply has increased dramatically, but they have been showing some recovery in 1999. You see Toronto there, and below that Montreal, which is fast catching up to us.

The next page shows the average daily rate. Again, the top line is New York, followed by Boston, Vancouver and Chicago, with Toronto and Montreal being almost equal.

The next chart you have in front of you is on bankruptcies. You can see what's happened over the past 10 years on sales versus forced sales. You can see the staggering impact that the forced sales have had on our industry. In fact, back in 1992 they were all forced sales. If you move your way through, it is not until about 1996-97 that there is somewhat of a balancing out where normal business sales start to overtake forced sales. I can tell you in 1999 the market virtually dried up, and if we were to chart this, and we could now, you would have a hard time seeing any sales there, partly because of access to capital, which I'll talk about a little later, and the fact that the price per room to build versus the price to sell is about even, although we're still not seeing any hotel construction starting.

Fact 2: Our property tax burden is still too high. Toronto hotels have the highest tax burden in North America. We are the king when it comes to property tax,

for a number of reasons. One is the property tax rate here in the city. The rate of tax is way too high. Again, it's a function of the education tax. The government is doing something. It's moving at it over the eight-year period, which will help bring some equity to it. It's one of competitiveness. It's not just competitiveness within this area, but across North America.

I can give you an example. In the Toronto Airport Marriott, which is situated in the former city of Etobicoke, the tax in that hotel is over \$5,000 per room. The Hilton Toronto Airport, which is about 400 or 500 yards up the road, happens to be sitting in Mississauga. The tax per room in that hotel is \$1,450 per year. They are virtually the same hotel, cater to the same demographic competitive set. You can see what it means in terms of competition, return on investment, ability to market, all those things.

I want to read you a quote from Bill Fatt, who is the chairman and chief executive officer of Canadian Pacific Hotels Corp: "Canadian Pacific Hotels Corp wants to fill a need in Toronto for an additional convention hotel. We have the will. We own the land. We have the resources. The high property tax burden for hotels is stopping the project." It's one of the unique situations where a company actually has the resources—not just the land available and the need, but they have the money to build it—and they can't build.

As I said, high property taxes have been identified as the single greatest objection to new hotel development here. Numerous projects have been considered, and again they all fall off the shelf.

You can see why in the next chart. It's a chart prepared by KPMG this past year. You can see that here in Toronto over 13% of hotel revenues are required just to pay property taxes. You can see the competing jurisdictions, where Montreal is next, all the way down to Los Angeles, where it's about 2.5%. We compete with these people. We'll talk about it in a minute.

Fact 3: Return on investment is not competitive. This is where it really hits home. As we said, there have not been any new hotels built in Toronto in the past decade. In the past it has been less expensive to buy than to build, and return on investment has been inadequate to attract new investors. The average approximate ROI for hotels in the Toronto area has been 8%. Owners can get 12% to 16% in competing markets and, as you all well know, I'm sure, capital today has no loyalty. It is fickle and it's like the lady of the night: It goes where the highest bidder is. With that happening, we are not only not getting the new construction that we desperately require here, but we're not getting the investment we need to keep our hotels competitive. Owners must produce a return, so they do it by cutting services.

I want to read a quote from Stephen Foster, vice-president of operations, Starwood Hotels and Resorts. Their brands include Sheraton, Westin and Four Points Hotels.

"Hotel owners continue to be reluctant to reinvest in their Toronto properties for upgrades and substantial

renovations. The return on investment, even with the recent favourable economic performance, is far from where it needs to be, especially if you compare Toronto to other major North American cities of comparable size. Owners know that they can achieve better returns elsewhere, with less risk than they are currently receiving from their hotels."

What happens is general managers are forced to reduce services, cut back on improvements, and what they end up doing in order to produce the return that the owner requires is turning an A product into a B product, which lessens our competitive ability even more, so we are in a Catch-22 and a downward spiral.

As a result, no investment means no new growth and the long-term benefits for our city and our province go lacking. We're not getting the job creation that we can, not just out of major construction and ongoing maintenance but also out of our hotel operations. As I referred to earlier, many of those jobs are entry-level positions. However, the anomaly is that Toronto has been recognized as an important potential market for new hotel development, and while we have the need and it's recognized, the conditions are not there for new investment.

If you look at the next chart, it shows you what has happened in our industry in terms of return on investment. As I said earlier, back in 1994 we were virtually bankrupt. Only 11% of the hotels were showing a return of equal to or better than simple bank interest. In other words, they were the only ones making a profit. Some 33% of them were operating at a loss even before debt service, depreciation or income tax; 72% of them were experiencing a loss after debt service but before depreciation and income tax. With 150 rooms or more, that figure jumped to 80%. By the time 1997 rolled around, we were basically back in the black. Luxury hotels were earning a 7% return, full-service hotels an 8.5% return, and economy hotels about 12.9%. When you compare that to what an owner could get simply by investing in GICs—7.25% back in 1994 or 5.3% in 1997—you can see why they're reluctant to invest here in Toronto. If you were an owner who lived in this community and wanted to invest here, you had to shake your head and say, "Why would I go for the risk?"

1420

Going to availability of capital, which still is a huge problem in our industry, Lyle Hall, a partner in KPMG's consulting division within their hospitality side, says: "Debt financing for new hotel development is extremely difficult to find, as the traditional lending sources view the sector as high-risk. The magnitude of operating costs and municipal property taxation in Toronto play a significant role in reinforcing this view."

Fact 4: Toronto is losing market share. We're losing it to the rest of Ontario and to the rest of the world. For the first time in history, total visitation declined in 1997, recovered slightly in 1998, and remains flat. I can tell you, we're seeing from early numbers for 1999, and they will show a decrease.

The decline in market share is due to a number of reasons: chronic underfunding of destination marketing; declining product at major attractions—the majority of those, I should note, are owned by government—and the decline in live theatre. We have no blockbusters, we have no long-running shows. It's hard to market something that's here for four, five or six weeks. We've also lost Livent, which meant that in terms of marketing dollars we've lost \$15 million annually in marketing in this city, because that's what Livent spent annually in marketing in Toronto. So not only did we lose their product, we lost their dollars as well.

If we go to the next chart, I'll draw your attention to the US visits. This is a most disturbing number. With the advantage that we have on our currency rate, the exchange rate, that number should be jumping. It's not. I'll go to what is disturbing about that in a minute.

On the next chart you'll see the category in different classes. One of the reasons why the alarm is just sounding now is that the plight of our business has been camouflaged by relatively strong meetings and convention business. That business was booked five to seven years out. That's the cycle. But if you look at our leisure business, it's in the tank. It's down over 14% in 1998 from 1996. Why we're so concerned is that it's a well-accepted fact that to be a successful meetings and convention destination, you need to be a "hot destination" on the leisure side.

Meetings and convention planners are very risk-averse and they only want to take their delegates to where the destination is perceived as hot. So if you lose that shine in the leisure side, your meeting and convention business will soon follow in the same decline, and we are seeing that. I can tell you that while our meeting and convention business for the current year is relatively good, next year is awful. We believe the two are linked. When you look at the booking cycle, the business that we're still enjoying now was booked when we were that hot destination.

If you go to the next chart you'll see how dramatic it is. The visitors from all markets are showing increases except for the leisure, the negative decline. That's what we talked about. So it is real, and we need to fix it immediately, before it becomes catastrophic.

Fact 5: For a number of years we've experienced inadequate funding levels for marketing here in Ontario. Ontario dramatically cut back marketing funding, from \$26 million in 1991 to \$11 million in 1997. Ontario overnight stays in that period dropped 31% from 1988 levels. Fortunately, in 1998 the Ontario government restored the marketing budget to \$30 million for the next three years. That's \$30 million annually.

Here in Toronto, the city cut its budget from \$7.6 million in 1992 to \$4.2 million in 1999. I should add that in the current budget process the city is recommending a 5% increase in that budget. We're not sure whether it will carry or not when it comes to the final budget process, but it looks like there may finally be a stop to the continuing budget-cutting process here in Toronto.

Tourism Toronto, our major funding organization, has been trying to fly with one wing. As I referred to earlier, image platforming, which is so needed by both the province and by the city, is lacking because we certainly don't have the money. There isn't any happening right now; it has all been eliminated due to the cutbacks.

From the private sector standpoint, it has increased its funding from \$2.8 million in 1992 to \$4.3 million in 1999. I should add that the hotels contribute 50% of this, plus an additional \$1.5 million in convention subsidies, to help buy down the price of conventions so that we are competitive with our major markets that use their convention centres as loss leaders. In addition, collectively we spend another \$150 million marketing this destination.

Compounding this marketing problem, both the federal and provincial government marketing programs are now dollar-for-dollar matching programs. As we have lost dollars, we get a triple whammy, so we are unable to participate in the federal and provincial programs. Other jurisdictions are able to use the money they have, which should be earmarked and is earmarked for Toronto. We not only lose the ability to market, but the money that was available for us is used to market against us.

Competition-wise, Toronto is being outspent by its competitors. We rank 43rd in North America. We're now even outspent by Vancouver and Montreal. Montreal's budget is \$6 million greater than ours. If you look at the next slide, you can see an outline of where we are in public and private sector contributions and see where it has levelled out. If you go to the next chart, you'll see where we are in North America. I think you can eliminate the first four, because they are anomalies. I don't think anyone thinks they're going to compete with Las Vegas, Honolulu or Orlando. But when you get down to the next of them, you see Atlanta at \$19.9 million and Montreal at \$14 million. We're simply not competitive in the marketplace.

I want to add that destination marketing is an investment, not a cost. Tourism advertising delivers incremental dollars to a visitor destination. This not only creates jobs etc, but it creates new activity and new revenues. For example, in New Jersey, the state was going to cut their marketing budget. They hired Longwoods International, a very well regarded research company based here in Toronto, to take a look at what the impact would be. They found that for every dollar expended by the state on marketing, the return was over \$150 in incremental expenditures and \$19 in state taxes. A similar study found very positive benefits in New Orleans. Conversely, when Colorado cut their marketing budget, it led to a loss of over \$2 billion annually in tourism expenditures for that state.

I talked earlier about our image. Fortunately, the city has done some things recently and it looks like we will see our image restored. They've tried to clean up the garbage and, with the safe streets legislation, we're expecting a change in the squeegeeing and aggressive panhandling. It's not supposition. A 1998 study conducted

by Ryerson University confirmed the comments we were getting from our hotel guests.

I talked earlier about the loss of Livent. I also want to talk briefly about the lacklustre or sporadic programming at government attractions. Mainly due to underfunding, whether it be the zoo, the AGO or the ROM, we're lacking blockbusters. I think it's important to note that because they are government-owned and -operated, the ability for risk and aversion to risk—their management style has to be that they can't afford it, so their ability to take chances to improve programming is somewhat retarded. Of course, the low return on investment of our hotels is also stopping that, because we simply aren't keeping ourselves up to date, especially from a functional standpoint.

In terms of solutions, we've talked about a fair and equitable property tax system for hotels. Right now, the way hotels are assessed really an income tax. The Income Tax Act states that the valuation for property tax purposes is supposed to be on the value of land plus buildings. But we can demonstrate that as our income goes up, our property taxes go up proportionately. We need a revised methodology to get rid of that. We're asking the province to accelerate the business education tax averaging so that we can close the gap between ourselves and the Mississaugas and Peels.

We are also concerned about what's going to happen with property tax stability once the caps are removed. We're in the unique situation right now where we have a lot of hotels that will benefit when the cap comes off. A number of hotels will also get hurt when the cap comes off. No one foresaw the impact of amalgamation that hotels in Scarborough and Etobicoke, where the tax rates were below the average of the new, combined city, were actually going to see an increase in their taxes because of that.

On the destination marketing side, we need to recapture our market share on both the leisure and business sides. We can only do this by improving our ability to market ourselves here in the city. Again, if we market ourselves well in the city, it's going to benefit the province. We are the gateway. The new "du jour" in marketing is what they call "hub and spoke." You get people into your hub and then feed them out to the hinterland across the province. It's the benchmark today of how you market a destination in a wide geographic area.

We need to see an increase for funding Tourism Toronto from the city, but we also need to find a stable funding mechanism not just for Toronto but across the province. So a long-term funding mechanism is required.

1430

The Chair: We have time for a very quick question from each caucus, and I'll start with the government side. You have one minute.

Mr Arnott: Thank you very much for your presentation, Mr Seiling. I thought it was very thorough and very helpful. You have, of course, outlined some proposed solutions and not just come here with problems, and we

appreciate that. It must be very difficult for you to articulate what the government ought to do with business property taxes when the 10, 5 and 5 expires. It's a challenge for us.

Mr Seiling: Actually, in Toronto right now we're at 2.5, 2.5 and 2.5.

Mr Arnott: Right. What should we do?

Mr Seiling: I think there are a number of tools. As I said at the beginning, we congratulate the government for having the fortitude to at least start the process of reforming the property tax system, which was so wildly out of whack. Unfortunately the tools are, in effect, maintaining the old system to a certain degree. Depending on what happens after the caps come off—because, as you know, if a municipality has adopted the tool of capping, it is prevented from increasing taxes in that sector—we could actually end up seeing tax increases on sectors that are entitled to a tax decrease simply because the capping stops the system from working. We recognize that there are ways and means to modify some of the serious increases that some of the smaller businesses will incur.

On the same side of the equation, there are businesses, such as hotels, that have been supporting inequitably for quite some time, overpaying their taxes for 40 years. At some time they need to have a return. If they don't, the owners simply aren't going to invest, and we're not seeing any new construction.

It's a balance and I think there are some tools there. But eventually we have to get to where there is fairness and equity in the system, where people pay their fair share, whether you phase it in, cap it or create some special classes—perhaps one thing the government will have to look at; it provided some ranges of fairness. It's interesting to note that basically every city in the province with the exception of, I think, one is operating outside those ranges of fairness. A large part of it comes back to residents, including you and me, having a tax holiday at the expense of our businesses. At the end of the day, if we don't fix some of that, we're going to lose some of the businesses.

Mr Phillips: Your presentation was somewhat pressing, Mr Seiling. There are two parts to your solution: one is the property thing, which you've just talked about, and the other is finding a way to increase the Toronto area as a destination—a kind of leisure destination, I gather. There hasn't been anything particularly new, in a big way, that I can recall over the last five years in Toronto. We're going to invest a lot of capital, in time, energy and money, in the Olympic bid, and hopefully we'll be successful. My judgment would be that that would be very good for us.

From your perspective, will that be enough, or should all of us be looking at putting some energy into other destination attractions?

Mr Seiling: Certainly the Olympics will be very good for this city, this province and this country. However, first of all we have to win them. We're very concerned that if our sights are trained on the Olympics and we

don't get them, what happens? Also, we have this problem now and in the interim. We can't look so far into the future that we forget the present. I can tell you that we're hemorrhaging right now, and it's not just the hotel business; if you look at the tourism sector it's comprised of retail, restaurants, transportation and attractions. If you look, virtually every attraction across the city is down and it's down simply because we're not in the marketplace. It's also down because we clearly identify the need to have some new attractions. Certainly some of that infrastructure would be part and parcel of a successful Olympic bid.

For the leisure traveller the window for buying is about three weeks out, so if you're not top of mind with that traveller when they're looking to go somewhere, you're simply not on the radar screen; they're not coming to see your city. There are so many competing jurisdictions out there because they've all identified tourism as a way to grow business and to create jobs, and to create those jobs at the level that virtually every government has trouble creating, the entry level job; especially to get young people and those who have gone through retraining employed. As I said earlier, we're ideal for that. We spend a huge amount of money training people continually and we know that we always have to because it's the nature of our business. While there are people who make their career in industry and they do very well, we don't expect that everyone who comes into our business is going to stay in our business.

Mr Christopherson: Thank you for your presentation this afternoon. I noted that in your presentation you talked about hoping to see the municipality of Toronto make greater investment in tourism, overall the province to be making investments in tourism, and, as part of that reinvestment in the Toronto Zoo, AGO, ROM, which are important to your industry. Recognizing that, municipalities are tight because of the downloading that the government put upon them in order to pay for their tax cut and that there's no money for these other things because they used that to pay for their tax cut, given a choice, what would you rather see? Would you rather see these investments take place or the 20% tax cut that's currently on the books with this government, if you assume that you can't have it both ways, recognizing that the last 30% tax cut cost us \$5 billion to \$6 billion, and those are real services that we don't have any more?

Mr Seiling: I'd like to point out first that the cuts in the budgets to tourism in Toronto started long before there was any downloading exercise. But I'm happy to report that the city of Toronto especially has recognized the importance of tourism and has come out in favour of reversing that trend. There's a general recognition, if you listen to the mayor, the chief executive officer of the city and the head of the economic development committee, that tourism is an important industry. It's one of their identified clusters that needs to be nurtured and helped, and so I'm hopeful there. Obviously, though, not all the funding can come through the municipality. We don't have the solution yet but we have to find a stable funding

mechanism to grow this industry, because if we do not, we're going to lose out. Other jurisdictions, as I said earlier, are far ahead of us. Money is not the root of all evil at this point in time; it's the root of success.

The Chair: Thank you very much. On behalf of the committee, thank you very much for your presentation this afternoon.

ONTARIO ASSOCIATION OF INTERVAL AND TRANSITION HOUSES

The Chair: Our next presentation is from the Ontario Association of Interval and Transition Houses. Could you please come forward and state your name for the record.

Ms Eileen Morrow: Thank you very much. We're here today representing the Ontario Association of Interval and Transition Houses. My name is Eileen Morrow; I'm the lobby coordinator and staff person at the association. I'd like to introduce Corinne McCordick. Corinne is going to share the presentation with me today. Corinne is a front-line worker at Rosewood Shelter in Midland and a member of the lobby committee of OAITH.

The Chair: On behalf of the committee, welcome. You have 30 minutes.

Ms Morrow: We certainly appreciate the chance to come and speak to the committee about our concerns. We have over the years often come to present before the finance and economic affairs committee. We thank you for this opportunity this year.

Just to give you a little bit of an idea about what OAITH is, the association represents approximately 63 members across the province of Ontario. They are primarily first-stage emergency shelters for abused women and their children who are escaping violence against women. We are the largest shelter association in Canada, and in that regard, approximately one third of women who use shelters in the entire country actually use shelters in the province of Ontario. It's a significant area and a significant sector of services that we'll be speaking about today.

1440

Shelters actually were begun and started by women who were victims of violence, and ever since that time, approximately 1975 in Ontario, abused women and their children have continued to say that shelters for abused women and their children are the most supportive community-based services they use. They continue to have a very high level of support for shelters in addressing their issues. Of course, we're here today before the finance and economic affairs committee and so we're here to talk about finances and the funding of services. For the members of the committee who may not have been around then, I just want to give you a little bit of a brief history.

Shelters actually began in 1975 in the province of Ontario, but it wasn't until the last Conservative government in Ontario that the task force was set up to study the problem in 1982. That was the first time the province of Ontario as a government began to recognize that shelters

for abused women, for instance, needed to be established on a permanent basis and that they were essential services for women.

However, by 1986 it was very clear that the system set up with grants and piecemeal funding under the General Welfare Assistance Act could not continue to provide the services that women and children needed and that, in fact, were in serious danger of falling apart financially. The Liberal government implemented a shelter funding review in 1986 and, as a result, developed what's known as the funding formula for shelters in Ontario.

It was an interesting funding formula because it did provide more stability for shelter funding in Ontario, but it had this very interesting aspect to it: Although I haven't done the internal research, I believe we may be unique within the Ministry of Community and Social Services in that shelters for abused women are required within their contract to use 20% of their base core service funding for crisis intervention. That means anything beyond that—and the province has recognized that shelters provide many services beyond basic shelter and counselling for women—needs to be fund-raised as well, but for 100-cent dollars. I certainly can assure you that shelters in the province do extraordinary amounts of fund-raising within the community. Even at that high level of required fund-raising, they are at this point not able to meet the demands that women and children have.

As you know, in 1995, government spending reductions, in order to reduce the deficit, put challenges and restraints on everyone in the province, and that has included first-stage and second-stage shelters for abused women and their children. It's important for me to let you know that historically shelters did not evolve to the point where they had a lot of middle managers and people like that, so there was not a lot of infrastructure to cut from without digging into the direct services for women and children; and that in fact has happened.

As you know, there is no second-stage funding for programs; it was eliminated. This has resulted in a unique problem, where a certain part of the anti-violence envelope in the province has been jettisoned to the municipalities. I think you heard a couple of days ago from the Alliance of Canadian Second Stage Housing and I'm sure they gave you more detail about the struggles. We support their submission and we would really like you to look closely at addressing that issue.

In terms of the first-stage shelters, of course, since 1995 we have been struggling, and at this point we are in a bit of a crisis. We did a report last year calling on the shelters to give us information about the service demands. We found that more women and children than ever are requesting services at women's shelters and service demands have increased significantly between 1995 and 1997-98, from 11% to 30% in various programs within the shelter. Within the first half of 1999 that increase continued, and I'm sure it's even worse now.

We found out that women were staying longer in women's shelters between 1995 and 1997-98 and that rise in stay represented about 18%. Now in the province a

stay in shelters can range from three or four weeks to three or four months in communities like Toronto where housing is unavailable and women can't move on.

We also heard from shelters that because of these reduced resources at the same time that there was increased demand, about 60% of the shelters reported a decline in the overall service they were able to give to women and children. As a result, one quarter of the shelters have lost front-line staff and all staff are now having to work harder, fund-raise more and work more overtime. That, of course, has its impact on the women and children within the shelter.

It's important for us to realize that at this point we are facing a crisis within the community-based services for women and children because of the increasing demand. Almost 85% of the shelters in Ontario report that services within the community, as well, are not at the same level they were for women. What this means within first-stage shelters is that it takes longer for us to find the supports and services within the community for each woman, and that contributes to an increased length of stay and a reduction in service for each woman and child.

I'd just like now to let Corinne tell you a little about how we might start to address some of the challenges that are facing women and children and the shelters and services that they're using in Ontario.

Ms Corinne McCordick: We recognize that there have been initiatives taken by the Ontario government to respond to issues of violence against women. However, almost all significant long-term initiatives undertaken by the Ontario government have been focused on the criminal justice system, which sees abuse against women and abused women as victims of crime.

Women's groups have called for criminal justice system reform as an addition to, not an alternative to, community-based programs. A narrow focus which works primarily on one system may address some of the crimes of intimate violence against women, but will not address the experience of intimate violence that often keeps women and children trapped in abusive situations.

The inquest into the death of Arlene May is as yet the most significant initiative undertaken by the government of Ontario. Of the 213 recommendations carefully developed by the jury, 203 were directed towards the Ontario government.

We recognize that while the province has been working on some of the recommendations primarily within the criminal justice system, we have concerns that community-based recommendations have not yet been addressed and feel strongly that these would go a long way to improving services for women and their children. This is especially true of the recommendation for a shelter funding review, as well as those recommending improved independent advocacy services for women and programs for child witnesses of women abuse, which the jury suggested should be located in women's shelters and other women's community services.

Most abused women will not use the criminal justice system to address violence, and even when they do, they

still need ongoing, comprehensive support on issues related not only to the crime of violence but to the whole experience of violence and its impact on children. Many women experience abuse for which no criminal charges can be laid.

While we're hopeful that reforms within the criminal justice system will provide positive support for women in time, we know that it takes a long time for changes to large, province-wide systems to become effective practice. Women and children need improved support now.

1450

During Wife Assault Prevention Month, OAITH called on the government of Ontario to take action to support women and children escaping violence. We are asking today that this committee support the recommendations we made at that time, which are listed in the material you've received today; that is, to provide immediate funding for the equivalent of at least one additional women's direct service community support worker and one additional child and youth support counsellor for each women's shelter and each second-stage housing program for abused women and their children in Ontario.

Assuming that approximately 100 shelters and 20 second-stages could receive an estimated \$120,000 for the cost of these programs, the total cost would not exceed \$15 million. The total initial cost would be less than the \$18 million announced for the new crown attorneys and domestic violence courts to support the May-les changes to the criminal justice system. This would restore the balance between the criminal justice system and community-based services envisioned by the inquest jury.

We further ask that you support our call for immediate implementation of a review of the funding for women's shelters and second-stage housing programs with a view to increasing funding resources, as recommended by the jury in the inquest into the death of Arlene May.

The Chair: Does that complete your presentation?

Ms Morrow: Yes. We wanted to leave lots of time for questions.

The Chair: We have approximately five minutes per caucus, and I'll start with the official opposition.

Mrs Sandra Pupatello (Windsor West): Thanks for coming today to speak to us. I didn't see your specific request in the proposal sheet.

Ms Morrow: We had distributed a copy of the material that we wrote for Wife Assault Prevention Month. It's called Ten Years from Montreal. I brought 25 copies.

Mrs Pupatello: Those specific proposals are in here?

Ms Morrow: The first couple of pages are an executive summary of the document, so you don't have to read the entire thing unless you really have lots of leisure time, which I'm sure you don't. They actually outline some of the statements we've made today and the request that we made. I think it's on the second page of the executive summary.

Mrs Papatello: You said specifically that you need an extra youth counsellor at every shelter in Ontario, and the other was the extra full-time staff person—

Ms Morrow: A front-line community worker advocate for women. These are in line with a couple of the recommendations. I have a copy of the inquest recommendations today if you want me to leave it behind for you. There are several recommendations within the inquest jury's list focused on community-based supports for women, because they were very much in support of that.

One of them is that the province of Ontario do a funding review of shelters. I was present every day of the inquest so I know the evidence they heard from the Ontario Women's Directorate and also from shelters. That was one of their recommendations.

They recommended that there be additional supports for child witnesses and that they be placed within shelters in order to provide seamless service to the woman and child rather than being separated out into a different service.

There were several recommendations under what they called "victims' services." One of those was additional advocate support for women within the community. What they were trying to say was that they recognized that women have a lot of challenges and struggles; for instance, to find housing in communities where it's difficult to find housing; in particular with regard to the criminal justice system and family law, which is a particular part of the justice system that women don't get a lot of support within; and within social assistance systems to liaise and work with the community.

Mrs Papatello: You made some good points in your brief about what the challenges are for women who must leave, and those aren't going to be served by the addition of the workers because it's a function of, is there housing in the community for these women to find? We've had many presenters to this committee talk about the need for 20,000 units a year in Ontario just to meet the current demand. This government is nowhere near that and it doesn't look as though they're going to move anywhere close to that. So that's not going to resolve some of the very basic needs that women have when they must leave.

I wanted to hear your commentary on other ministry cuts that are affecting this area. Some of the people who presented to this committee talked about the booming economy, that things have never been better. We've seen the retail sales talk today about how it's record-breaking etc. They're very pleased with it all. So when the economy is going very well, everyone's happy, everything's going swimmingly. My question is, why is there an 11% increase in the demands for service for your shelters? Why in this booming economy are we having an increase in violence against women? What are the effects in terms of education and what they've cut from programming that would support the kind of education for young people, as well as the cuts to the male batterer program? What effect have you seen that have on the shelters and on women?

Ms Morrow: As I said, almost 85% of the shelters report that because of the reduction in services within the community—they are seeing that—it is having an impact on abused women and their children. Women are returning to abusive partners because they can't find affordable housing or they can't afford market rental housing. Often women, in fact the majority of women, who are on social assistance in the province of Ontario have experienced violence. When they're leaving an abusive situation, at least temporarily, they often find themselves having to access social assistance in order to initially begin an independent life.

What they're finding within the shelters in Ontario is that abused women have returned to or remained with abusive partners because they can't feed their children, they can't find housing that they can afford. Some women report that they are having to use food banks, which is not what abused women should have to be doing. This is just not right. Many women are not eating so that their children will have food. So in some communities where there are not food banks we are now seeing shelters beginning to provide food bank kind of services, food and clothing for women after they've left the shelter.

We didn't want to come here and have a litany of every issue, but it certainly is true. The executive summary of last year's report, which I also submitted to you today, provides some of the background in terms of the increasing difficulties that abused women are facing. As long as that continues it will be more difficult for shelters and we will need more support for women to negotiate those systems.

Mr Christopherson: Thank you for your presentation. Good to see you again.

I know there's never been a time when enough money was dedicated to this, but it did seem as we got through the late 1980s and into the 1990s that we were at least starting to make some strides towards providing the level of service that's required.

I know you don't want to go into the whole litany, but my fear is that in cases like this, if we don't put the issue in context, then you're too easily labelled, especially by government members, as just "special interest," and somehow that means you're not part of society and therefore the issues you raise are somehow less important than the business friends of the government, who of course couldn't possibly be a special interest group.

I'd be interested to hear where you think we're going to be if this isn't addressed in another five or 10 years. Where are we heading? What's it going to mean for the women who are affected, their children, who in effect are still society's children? If you can—and I know you don't like to do this because it moves off the point, but somehow we've got to penetrate the government's psyche where they've got these walls up that we're not getting through on these issues—point out where, as a society, we're going to pay a price, both in terms of the human price and a fiscal price, if we continue down this road unabated, which unfortunately it looks like we may.

Let's get on the record now so that the government can't say they didn't know. Where are we going to be in four or five years hence, 10 years hence, if we continue down this road that the current government's set us on?

Ms Morrow: Already in the province of Ontario 40 women a year are murdered by their intimate partners, and that's the most extreme form of the violence that we're talking about. But many thousands of women and children experience forms of very severe violence up to and until that tragedy happens. Since the inquest recommendations were released, at least 33 women have died, and that inquest was designed to prevent further deaths in the future. The clock is ticking. We know that at least another woman has been murdered since the 33 were killed. That is the human cost.

1500

It's very difficult to exaggerate when you talk about this issue, because simply to minimize sounds like an exaggeration. Make no mistake, lives are at risk and the community life is at risk. Some 30% of women in the province of Ontario experience criminal violence by their partners. That's one third of the women in this province, and all of their children are experiencing the impact of that, if not direct child abuse as well. That has a huge human cost.

We know from research that the cost of violence against women in Canada is already at \$4 billion for social services, health, education, prisons, the justice system and so on. If we don't stem this tide, those costs will simply rise. It would be much more fiscally effective for us to seriously address the issues of crisis intervention and to seriously address the prevention issues with the children so that we can hope in the future to prevent further violence.

Just as an example of the shelters and the struggle that they're facing, as you know, according to the law, shelters are required to provide a 1% increase in salaries for pay equity, and we certainly agree. In fact, that's not enough. The shelter workers are very poorly paid and haven't had increases for years in a very stressful and dangerous job. However, there will be no further coverage for those salary increases by the province within the budgets of shelters. That may be possible to cover this year with additional fundraising, but I must tell you, I've already heard from several shelters that next year we will be into talking about cutting services in order to obey that law. We're talking about a situation where, as time goes by, we will be cutting more and more services within the shelters. There are other examples I could give of resources and work that shelters are being asked to take on, some by the province of Ontario itself, that require resources in the future, but there have been no resources dedicated to them. As the years go by, increased demand and reduction of services can only lead to deterioration and disaster for the women, quite frankly.

Mr Galt: Thank you for your presentation. Yesterday I had an opportunity to have a presentation made to me by the Quinte sexual assault centre, looking for funding from the Solicitor General. I guess I was a little appalled,

not being all that familiar with the area, with some of the statistics they were giving to me. I look at some of the figures I have in front of me here, like \$100 million annually for women's prevention services, some nine ministries involved, \$73 million for abused women, 98 emergency shelters. This is all good information for me. I have a little difficulty with how much and where. I hear victims of crime, I hear shelters for women and these centres and so on.

It was interesting, the opposition's comment. They were so concerned about shelters that they refused to build one in Northumberland county in my riding. It was our government that came in and built a shelter for women, and I was very pleased to be part of that and to be there at the sod-turning and at the opening. Similarly, they wouldn't build a hospital in Trenton, which our government is doing, and they wouldn't build a school in Cobourg for the separate school board, which our government has carried out.

The area I'm concerned with, though, is this basic problem of violence in our society, whether it's to children or to women, and to some extent other men. It's just wrong, but it has crept in here and it has almost been accepted, if I dare use that word.

Ms Morrow: Almost? I think it has definitely been accepted.

Mr Galt: How do we get this turned around? Yes, it's one thing to help a woman who is in trouble, and her family and kids, and I agree with that. But how do we prevent this? Does it come in through our media, the films, the videos that we see? What is it we can do as a government, as a society, to redirect this?

Ms Morrow: It's a very complex issue, there's no question about that. Part of it comes to us through our culture, through our movies, through our media, through our education system, through our faith communities, through our history within law. It wasn't that long ago in North America that in fact it was regulated within the law whom you could beat and how. For instance, the expression "rule of thumb" comes from the British common law, which was the basis for our law. You could beat your servants, children and wife with a stick, as long as it was no bigger than the circumference of your thumb. Whenever you use that phrase "rule of thumb," from now on you're going to think of that. It's deep within our history, not just within the media but within our law.

Mr Galt: So it's not new.

Ms Morrow: Absolutely. It's very new to actually think it's wrong and do something about it. We have the happy experience within the year 2000 to know that it's wrong and that violence is unhealthy for all living things.

In terms of solutions, definitely we need to continue our public education. It has been a huge positive force within the community. We need to continue with reform within the systems of family law, criminal law, social assistance, all of those, education within faith communities, and there is a lot of work being done in all those communities.

We also need to be very clear that we need to support and protect children who are witnessing violence and experiencing violence in order to create a different mindset, if I can put it that way.

Mr Galt: I think maybe you've corrected my comment. It hasn't crept in; it has been here all along. I think I see the Chair leaning forward. With reference to our party thinking of you as a special interest group, as the opposition was saying, I disagree with that very much. We see you as a special group doing some very difficult work.

The Chair: With that, Mr Galt, I must bring the discussion to an end. On behalf of the committee, thank you very much for your presentation.

ONTARIO REAL ESTATE ASSOCIATION

The Chair: The next group this afternoon is the Ontario Real Estate Association.

The Vice-Chair (Mr Doug Galt): If you don't mind just stating your names for the record. Welcome. We appreciate your comments. You have 30 minutes. You can present and then whatever is left over will be divided between the three parties for questions or statements.

Mr Ron Merkley: We do appreciate this opportunity to be with you this afternoon. My name is Ron Merkley and I am president-elect of the Ontario Real Estate Association and chair of its government relations committee. With me this afternoon is Jane Doyle, chair of the government relations committee of the Toronto Real Estate Board; Jim Flood, who is the association's director of government relations; and Von Palmer, who is manager of government relations for the Toronto Real Estate Board.

Before I begin my comments, just a reminder about who we are and why we're here. The Ontario Real Estate Association represents approximately 35,000 real estate brokers and salespeople throughout Ontario. We are one of the largest trade organizations in the province, with members in virtually every riding. We work to create a legislative and regulatory environment in which our members can succeed and do so, I might add, with the highest degree of professionalism.

The ability to own and use real estate is one of the economic underpinnings of our democratic society. Real estate forms the basis of most of the personal wealth of Ontario families, and the goal of home ownership is a dream that many still aspire to. It is our job today to convince you to help make that dream a reality for more Ontarians by improving housing affordability in Ontario.

1510

In our written submission you will find substantive comments on our recommendations, but allow me to give you the highlights.

First and foremost, we would like you to consider removing provincial sales tax from mortgage insurance premiums. This tax, originally introduced in 1993 by the NDP government, hits those who can least afford to pay it at a time when they can least afford to pay it. It

becomes one of those nasty little surprises when a purchaser goes to close their housing transaction.

Let me explain. First, only individuals who do not have a down payment of 25% or more require mortgage insurance in the first place. In many cases these folks only have 5% down, which compounds the problem. They tend to be young families starting out who have not had the time to save that 25% down payment, or lower-income families who find it difficult to save that amount. They are the people who must have mortgage insurance, and they are the people who pay the tax.

The second problem relates to timing. Provincial sales tax is not like mortgage insurance; you can't roll it into your mortgage and amortize it over the life of the mortgage. This tax must be paid in full on closing and, as I mentioned earlier, it's one of those nasty little surprises that purchasers aren't prepared for.

The elimination of this tax would not cost the government a huge amount of money. In fact, OREA estimates that the total revenue generated by this tax is less than \$28 million annually. If the government were to eliminate this tax for mortgage insurance premiums, it would help, by our estimates, over 100,000 Ontario families achieve their goal of home ownership. That is a big return on a relatively small investment.

Our second tax-related initiative, and one that we have talked with this committee about before, relates to the land transfer tax rebate program for first-time buyers of new housing. First of all, let's be clear that we support that initiative and we want the government to continue it. However, we also want the government to expand the program to include first-time buyers of resale housing. We understand that the government may not want to do this from a revenue standpoint, but we believe that simple fairness and tax equity demand similar tax treatment.

OREA's research undertaken some two years ago indicated that, notwithstanding the tax rebate program, 80% of first-time buyers buy resale housing. That's quite a high ratio. Unfortunately, that decision about where they want to live and what form of housing they prefer costs them, on average, \$1,350. That's an awful lot of money to penalize an awful lot of people because the government some years ago decided to encourage job creation in the residential construction industry.

In addition to the tax penalty, the rebate program distorts normal market decisions. For example, there is relatively little new residential housing available in older urban areas, with the result being that first-time buyers must then look to the suburbs. Those who wish to live closer to their work environment or closer to their parents or closer to city services are discouraged from doing so or pay a premium for that privilege.

While we acknowledge that new home construction generates more economic activity than resale housing, it is not a one-way street. Research commissioned by our association indicates that every resale transaction generates an economic spinoff of \$17,000: not as big as new housing, but not insubstantial either.

The expansion of the rebate program to include resale housing would raise the total cost of the tax rebate program to approximately \$106 million a year from the current level of approximately \$22 million per year. However, some of that tax would certainly be recovered in improved sales.

Many of these issues were debated in the Ontario Legislature a few years ago when Mr Dan Newman brought forward a resolution to extend the program to include first-time homebuyers who purchase a resale home. Members of both the Progressive Conservative and Liberal parties spoke in favour of Mr Newman's motion, and the motion was subsequently passed by the assembly.

Of course, our long-term goal is the complete elimination of the land transfer tax. It is a tremendous barrier to home ownership and is not tied to any products or services related to real estate. It is quite simply a tax grab, one we hope to see reduced and eliminated as time goes by and the government's finances improve.

I would now like to comment briefly on a number of issues that have particular relevance for Ontario's larger urban centres. As you know, homelessness has become a significant problem for some of Ontario's less fortunate citizens. For a certain segment of the homeless population, those with mental or physical illnesses, addictions etc, OREA believes government must be prepared to support permanent forms of housing. These individuals have no ability to house themselves and unfortunately may never have the ability to house themselves.

For lower-income individuals, we believe that rent supplement programs can be designed to bring housing within their economic reach. We do not favour a return to the old bricks-and-mortar approach to solving these difficulties, ie, non-profit housing. We believe that a program of targeted rent supplements will help more people at less cost than building non-profit and co-operative housing.

We also believe the private sector should become more involved in helping the homeless through charitable organizations, job training and hiring programs. Across Ontario, individual realtors and member real estate boards are involved in supporting hundreds of charitable activities, the majority of them targeted toward housing-related programs. We are very proud of our members and our boards who give both time and money to support those less fortunate. Our own association, through our charitable foundation, targets over \$60,000 a year of charitable donations to housing-related charities across the province. We believe that with the right combination of government support and private sector assistance, no one need be homeless in Ontario.

A second issue we wish to bring to your attention relates to the need for extensive investment in infrastructure if Ontario's economy is to continue to grow in the years ahead. Governments at all levels must begin thinking about how to finance new roads, transit, sewers, schools and health care without undue damage to the public purse. Many of our urban real estate boards have

expressed concern that unless these infrastructure issues are addressed, Ontario will lose one of its major competitive economic advantages.

We admit we don't have any easy answers on how to finance these new initiatives. The government's recently announced SuperBuild fund may hold a partial answer, and public-private sector partnerships such as the consortium that built Highway 407 may be the wave of the future. We believe, though, that the government should commit itself to increased funding for infrastructure as the best kind of economic investment it can make.

1520

In closing, we want to congratulate the current government on its economic and fiscal policies. We believe that tax cuts have resulted in improved housing affordability, and we support government initiatives to eliminate deficits and reduce debt. These two initiatives have resulted in the creation of an economic climate that is good for realtors and good for real estate.

We trust that the government will continue its efforts to reduce taxes and promote economic growth. In the final analysis, the best housing initiative any government can undertake is the creation of secure, permanent jobs for its citizens.

Thank you for your attention. We would be pleased to answer any questions you may have on my remarks or on our written submission.

The Vice-Chair: Thank you very much for the presentation—most informative. We start with the NDP, and we have barely five minutes for each caucus, about four and a half to five.

Mr Christopherson: I'll jump right in because I don't have a lot of time. I know of no one who likes to pay the land transfer tax and I'm of an age where my age peer group have bought homes along the way, so there's been a lot of that sort of thing. Every one of them has said that they don't like paying the land transfer tax, but then nobody likes to pay any tax at all. But I have to tell you I've never heard one, not one, say: "Gee, we had a great deal. We had the perfect house. We had the down payment. We had it all lined up, everything was all set, years of saving. But, you know, we had to cancel the deal because we couldn't pay the land transfer tax."

I realize that from where you sit it's an impediment, it's something that you'd like to see removed, and if we could wave a magic wand, I'm sure a lot of homeowners or potential homeowners would like to see it disappear, but I'm not convinced that it has really prevented anyone—certainly not in my personal experience nor in my professional or public life experience—from actually purchasing a home. If they did a list of things that were prohibiting it, I wouldn't argue that it might not be on that list, but I've never experienced that alone being the deal-breaker.

The other thing is, and I'm sure that we'll just, at the end of the few minutes we have, agree to disagree on the issue of affordable housing in bricks and mortar, but if you take a look at the numbers that even CMHC is

providing in terms of the number of units that are necessary, if we were to do it all through rent supplements, you'd break the treasury because it's more expensive at the end of the day for the provincial government, and there are studies to show that, than it is to actually provide the bricks and mortar. I know there are complaints and people have differences with it, but nonetheless, at the end of the day for the taxpayer, for the public, for society over a period of 10, 20 years, the life of the building, there's actually a win. It's for the simple reason that when a family moves out the unit is there, available for another Ontarian family to come in and benefit from.

I also compliment you and all your members on the charitable aspects. I think it's very noteworthy. Certainly I'd give it as much praise in my home town of Hamilton as anyone does in their community, and it's not to be trivialized in any way, shape or form. But I have to say to you that when you put that much emphasis on charity—a lot of people who are in circumstances through no design of their own aren't looking for charity; they're looking for their rights as Ontarians, their share of the wealth that we all generate—what came to my mind right away was George Bush with his thousand points of light, that we're going to rely on the altruism of those who have to sprinkle some of the benefits around through charity.

Trying to address the issue of homelessness in that fashion is just going to come up short each and every time. It's not enough. Government has to accept the fact that Ontarians in a province as rich and wealthy as ours have a right to a safe and warm place to live and that collectively we can provide that if the political will is there.

I afford you the chance to respond.

Mr Merkley: Mr Christopherson politely asked three questions, I believe. So, back off to the first one. Yes, you may be right when you say that land transfer tax may not be the major impediment whether a deal goes together or not, but why we're asking that it be extended from new housing—it puts the affordability of new housing out of the reach of most first-time homebuyers. Our long-term goal is to have government eliminate it completely. Do we think that will happen in the next few years? Probably not, but as a long-term goal—we do feel it's an impediment to folks trying to buy a home. At least if the program is extended to resale housing, that's a start.

The second question: I won't belabour the point about our position with respect to non-profit housing, but you did mention something that's very enlightening, that at the end of the day someone owns these properties. We find at the end of the day, which is probably 25 years when the mortgage—if in fact it is paid off, all the repair bills start coming in, for instance, and we find those projects aren't getting paid off. I guess our proposal with respect to rent supplements is targeted rent supplements. Can we give everybody a rent supplement? Probably not. Will we break the bank as you say? Probably. Targeted rent supplements, in our view, work.

Mr Christopherson: What about the balance, though, for those who don't—

The Vice-Chair: We're going to have to move on to the government.

Mr Arnott: Thank you very much for your presentation. We appreciate your ideas and you've come forward with some very good ideas that the government has to consider. My wife and I sold our house in Arthur in the summertime and bought a new house in Fergus in September, so that I could live in my new riding after the boundaries were changed, so we know something about those hidden surprises that you mentioned, although we were very well served by our realtor. He did a great job for us.

I wanted to ask you about the suggestion that you've made to eliminate the retail sales tax on premiums that would be paid for mortgage insurance. You have calculated that it would cost the treasury around \$28 million. Can I ask how you came to that figure?

Mr Merkley: Yes, you may. We had a survey done, and it came right from the government itself, on how many people actually have high-ratio mortgages. The figures that we were given since they—

Mr James Flood: The insurable portion.

Mr Merkley: That's the portion that they're paying the tax on.

Mr Flood: Part of the answer relates to information that we obtained from Canada Mortgage and Housing Corp. They estimate approximately 100,000 insured loans in Ontario every year. Truthfully, we just did the math.

Mr Arnott: Because if we assume that it would stimulate additional sales, additional activity, it might not even cost \$28 million. Is that correct?

Mr Merkley: You're very, very right. In fact, beyond the fact it might create more sales. What about the appliances these folks might be able to buy instead of paying out money? They don't have a lot of money when they have a low down payment, which they've scrimped and saved or borrowed to get. So they're going to be putting money back into the economy anyway. It may very well be a lot less than that estimate.

Mr Arnott: I'd agree with you it doesn't seem like a huge amount of money, yet it might be a positive incentive that would give more young couples the opportunity to purchase their first homes.

Mr Merkley: Exactly.

Mr Monte Kwinter (York Centre): Thanks for your presentation.

I just want to question the practicality of one of your suggestions. We have heard from house builders, we've heard from mortgage companies, that the construction of rental units is minimal and the simple reason is developers cannot make any money selling to the low end of the market. The only rental units that are being built, and there are very few of them, are for people who for life-style reasons don't want to have a condo, don't want to have a house; they want to be able to rent and that's it. They're prepared to pay the price for a level of rental

accommodation that makes it economically feasible for the builder and developer to build it. So my question is, if in Toronto you've got a 0.9% vacancy rate, which means there are a lot of people chasing a very, very small number of apartments, how is providing a rent supplement going to work? I don't care what segment of the market, how are you going to satisfy that need?

Mr Flood: The short answer is rent supplements alone aren't going to solve the problem. You're going to need some form of government assistance at the municipal level, you're going to need help at the provincial level, and you're going to need help with things like GST at the federal level. I think from all the submissions you've heard, the people you've mentioned still believe that the route to go is to have the private sector meet that demand, not have governments trying to meet that demand. But you're right, a rent supplement program, especially with vacancy rates like you have in some of Ontario's urban areas, are not going to solve the problem, in and of themselves.

1530

Mr Phillips: I want to pursue that a little bit. In one of the most memorable presentations—I think it was from the Ontario homebuilders—they indicated that to keep up with the rental demand, there should be 20,000 units a year built. My recollection—I don't have their presentation in front of me—is that in the last three years in the province of Ontario there have been 3,000 rental units built, against a theoretical demand I guess of 60,000. And as my colleague just said, probably a majority of those rental units would be built for the upper end of the rental market.

So here we are with advice. The Premier says they'll never build a brick or mortar on this thing. The private sector says "Don't do it." Nothing is happening. We now have a three-year backlog at least. Your brief says, as Monte Kwinter just said, that the vacancy rate is now below 1%, and you say it's going to get worse. Your brief says, "Three principle demand factors will squeeze rental markets further over the next few years."

We need help from professionals like yourself. I know it's fashionable to say that government should not get involved in any bricks or mortar. Certainly that's the Premier's mantra. Aren't we hanging an awful lot of people out to dry here who will inevitably be homeless? I just wonder what advice you've got for us.

Mr Merkley: I think, Mr Phillips, one thing we all have to recognize is that we live in a very diverse province. When you use factors of 1% vacancy rate, that's Metro Toronto. I live in eastern Ontario, and the vacancy rate is 7%. In Ottawa it's about 4%. My colleagues from Toronto can answer those questions, but we're talking about building these apartment units in Metro Toronto only. The vacancy rate is so high in other areas, people are turning their apartment buildings into condominiums.

The Vice-Chair: Thank you very much. Our time has run out, unfortunately, unless one of your other delegates wanted to make a quick comment.

Mr Von Palmer: If I could jump in on that question from a Toronto perspective, there have, for example, been some provincial announcements of PST grants in affordable housing, but that's only \$2,000. It doesn't go very far. We have to look at this as a package. The problem is that the feds are the only holdout. For example, the city of Toronto is trying to do certain things like development charges, which is a crucial part. They just brought in the exemption for affordable rental housing. The province is making certain announcements, but the feds have yet to address things like the GST on construction materials similar to the provincial announcement. That's a bigger factor for developers in the business, and things such as income tax provisions. So there are a number of things at the federal level that have to be addressed as well. They're not looking at the whole picture. We've had little announcements back and forth, and that just doesn't seem to do it.

Mr Kwinter: On a point of order.

The Vice-Chair: Thank you very much for your comments. We'll look forward to the federal budget as well. Sorry, Mr Kwinter, we're way over.

Mr Kwinter: On a point of clarification.

The Vice-Chair: Point of clarification, but very quick.

Mr Kwinter: In your brief, you say that the vacancy rate in Ottawa is 0.7%, and you've just said it's 4%. I'm just curious that we have the right number.

Mr Merkley: It's lower than 4%.

Mr Flood: The information that's in the brief is based on a CMHC estimate, and I would take that to be the accurate number.

Mr Kwinter: So it's 0.7% in Ottawa.

The Vice-Chair: Thank you very much for your presentation. It's much appreciated.

AGGREGATE PRODUCERS' ASSOCIATION OF ONTARIO

The Chair: Our next presentation is by Carol Hochu, president of the Aggregate Producers' Association of Ontario. How did I do? You can repeat it and state your name when you come forward. Welcome to the finance committee pre-budget hearings. You have a half-hour for your presentation. Whatever time is left over after your presentation we divvy up between the three caucuses for questions and/or comments.

Ms Carol Hochu: Good afternoon, everyone. My name is Carol Hochu and I am president of the Aggregate Producers' Association of Ontario. I am joined today by Bob Albrough, our association chairman and president of Nelson Aggregate Co; and Ian Duff, the association's vice-chairman, who is also president of J.C. Duff Sand and Gravel Ltd.

We thank you for the opportunity to appear before you today. We would like to use this opportunity to tell you a little bit about our industry, our members, and our contribution to Ontario's economy. Quite literally, we are the foundation upon which Ontario's economy grows and

prosper. We are fundamental to this province's infrastructure and continued growth.

Let me begin by giving you some background about our industry.

Aggregate products include sand, gravel and crushed stone. Recycled aggregate consists of concrete, asphalt and brick products that are crushed and reused. Aggregate is used in construction for stability and structure. Whether a highway, house or shopping mall, structures are dependent on a sub-base and base of aggregate. About 90% of the concrete and asphalt used by Ontario's construction industry is composed primarily of aggregate. In addition, aggregate products are used in a variety of manufacturing processes, including steel and iron, insecticides, aluminum, crayons, rubber, plastics, glass, ceramics, floor coverings and fertilizers. Each and every day, Ontarians use and benefit from non-renewable aggregate products. We all live and work in buildings built with aggregate. We travel on roads and highways constructed from aggregate. Even the water we drink is filtered and purified by aggregate.

However, this ongoing consumption of aggregate products means the industry is always challenged to find new sources and deposits to feed future demand. In 1998, the per capita usage of aggregate translated to over 14 tonnes per person in this province. As Ontario's construction and growth figures increase, this amount will increase correspondingly.

To help meet this challenge, we continually work with the ministries of natural resources, environment, and northern development and mines, as well as the planning unit of the Ministry of Municipal Affairs, to identify and appropriately develop aggregate operations. This means striking a balance between the need for a close-to-market supply for such places as the greater Toronto area while respecting the conservation initiatives of the communities that border our operations. We are always looking for innovative ways of meeting the demand for our products while respecting this very important balance.

Now I'd like to take just a couple of minutes to tell you a little bit more about the Aggregate Producers' Association of Ontario, or the APAO for short.

Our mission is threefold: to ensure that our members are the best producers in the aggregate industry; to manage the affairs of the association in an effective way; and, perhaps most importantly, to build partnerships with government and the public to promote the wise management of aggregate resources.

Our association is made up of some 240 member companies, 115 of which are producer members with licensed pits and quarries. The remaining member companies supply equipment and other products, and consulting and other services to the producer members. Our members represent about 75% of the sand, gravel and crushed stone produced in Ontario every year and they support Ontario's \$30-billion construction industry.

The aggregate industry employs over 41,000 workers both directly and indirectly in services and transportation. Literally hundreds of thousands of jobs in the construc-

tion industry also rely on an adequate supply of quality aggregate products.

In 1998, aggregate production was 146 million tonnes. That represents about a 1.4% increase over 1997, when we produced 144 million tonnes. The production numbers for 1999 are not yet available, but we are expecting production to rise to about 150 million tonnes. If I could just paint a picture for you about what 150 million tonnes means, picture an area bounded by College, that is, the front of the Queen's Park building, west over to Spadina, east over to Yonge and down to the waterfront. If you dug 60 feet into the ground in that whole area bounded by those roads, that represents about 150 million tonnes of aggregate product.

This increase in production is a direct indicator of the strength of Ontario's economic growth and is intricately linked to construction spending. In fact, one of the reasons our industry has been so successful is because of the growth of the construction industry throughout Ontario over the past few years.

1540

We are pleased to hear about this government's creation of the SuperBuild Corp and its plans to inject \$20 billion into capital spending over the next five years. We support this clear commitment to strategic and coordinated planning for Ontario's future infrastructure needs. The APAO would be pleased to contribute in any way we can to the process and consultations leading up to the development of those infrastructure investments.

As a proven, successful industry, we would like to see the government adopt a model that favours stimulation of Ontario's domestic economy—local suppliers, contractors and expertise—as these new projects are planned, developed and built. We want to be the foundation of Ontario's future success stories.

We would also like to take this opportunity to commend the government on its Red Tape Commission. As business people whose goal it is to produce a quality product at an affordable price, we support any initiatives that reduce costs to our members. Our industry is different from most, as we have an abundance of small owner-operator companies and only a handful of large multinationals. These smaller members are greatly affected by burdensome and costly paperwork. We encourage the commission to continue working towards the reduction of red tape for good aggregate operators and licence applications.

It should also be noted that as part of our business operations, Ontario's aggregate producers are committed to being environmentally responsible citizens. Aggregate extractive sites undergo a process called "progressive rehabilitation." Rehabilitation begins not after the pit or quarry has been depleted, but rather while extraction is taking place. As work finishes in one part of the site, rehabilitation begins. Progressive rehabilitation means that a site can be returned to its previous use or developed for other uses very quickly after extraction has been completed.

Pits and quarries have been a part of the landscape in Ontario for more than a century. These pits and quarries have been rehabilitated for a wide variety of after-uses. For example, did you know that the Royal Botanical Gardens in Hamilton was once a gravel pit? The Quarries of Hunt Club in Ottawa is another example. We are proud of the fact that most people would be hard-pressed to recognize any of the more than 70 rehabilitated pits and quarries within Metropolitan Toronto alone, because the rehabilitation has been so successful.

We don't just talk about our commitment to the environment, we prove it. We have brought with us today copies of an eight-minute video called *The Next Landscape* that describes our industry's successful rehabilitation efforts. I know the clerk has distributed these to you, so we hope you will find some time at leisure to review this video.

As part of our ongoing efforts to build on our members' strengths, we have recently become more involved in the management of our industry. Through the Ontario Aggregate Resources Corp, or TOARC, as it is commonly known, we are working with the Ministry of Natural Resources and other industry stakeholders to find innovative ways to continue to provide important services related to the aggregate industry. Established by legislation in 1997, TOARC assumed administrative responsibility for a number of activities, including collection of fees, administration of a trust fund, the management of abandoned aggregate properties program, research and publications and self-compliance. This initiative is, we feel, an indicator of the strength and maturity of our association and of our success in taking on new challenges. We are ready and willing to live up to these challenges, but we see partnership as the key to any sustainable evolution of our industry.

As some of you may know, the existing aggregates program core budget allocation of \$1.8 million has been accepted as a reduction to the MNR's budget for fiscal year 2000-01 by Management Board of Cabinet. This is not the first budget cut for the aggregates program either; in 1997 program expenditures were cut by 71%.

Aggregate producers in the province currently send about \$2.8 million to the consolidated revenue fund. That funding provides salaries, benefits and operating budgets for 14 aggregate resource officers, six crown land full-time equivalents and seven staff members in the policy office in Peterborough. Collectively, this group is responsible for policy, enforcement and compliance issues, a very important aspect of our business.

Aggregate producers have been asked to make up this \$1.8-million financial shortfall, despite the fact that the industry has already taken on increased responsibilities and costs through TOARC. A number of options have been put on the table, including the potential for a 50% increase in the levy paid to the province under the Aggregate Resources Act. We are working closely with the Ministry of Natural Resources to examine all funding mechanisms and options and to ensure that there is a viable future for the aggregates program in Ontario.

Although we want to work with you to develop solutions, let us be clear that the future of our industry and the future of Ontario's economic progress requires that no further erosion to the aggregates program takes place.

In conclusion, on behalf of the APAO, thank you for your time and attention today. We would like to leave you with this message:

Ontario is a growing, thriving and exciting place to be conducting business right now. The growth of the economy leads to a boom in the construction sector, which demands quality products from our members.

Aggregate producers are the foundation upon which Ontario has been built and will continue to grow. We are an integral part of the economic foundation of our strong economy.

Aggregate producers want to continue to provide high-quality products, produced in an environmentally sensitive way, to this province. We look forward to continuing our work with you to achieve mutually beneficial goals of success, growth and sustainability.

Thank you very much and we would be pleased to address any questions you might have.

The Chair: Thank you very much. We have four minutes per caucus and I'll start with the government side.

Mrs Molinari: Thank you very much for your presentation. You made several good points. I'm going to enjoy watching the video you've left for us. I'm pleased to see that you're in the process of working with the various ministries trying to get the points across and to see that what you need in order to fulfil your goals is reflected. I'm also impressed with your comments on the environmental issue and that you're looking very closely at making sure that the environment is one of the considerations throughout.

As a committee such as this, we've been hearing a number of presentations across the province, and it's always a challenge for us to balance all of the needs and requests that come through to the committee. But it's certainly helpful for us to have a good picture of what the individual needs and requirements are in order to fulfil what you need to do your jobs correctly. With that, I thank you for the presentation and for all your comments. I'll leave some time for my colleagues. I know they'll want to speak as well.

Mr Arnott: Thank you for your presentation. I wanted to ask you about the MNR funding cut that you highlighted. It says that the existing budget for the aggregates program is \$1.8 million. That entire amount is being cut? Is that what you're telling us?

Mr Hochu: Yes.

Mr Arnott: The government is saying to you, how can you as an industry come up with that money to maintain the programs?

Ms Hochu: That's correct.

Mr Arnott: I understand. A 50% increase in the levy paid to the province under the Aggregate Resources Act is one of the things that's under consideration. How

much do you pay at current levels? What does this 50% increase potentially mean?

Ms Hochu: The members pay a levy of six cents per metric tonne of material.

Mr Arnott: Directly to the province?

Ms Hochu: Yes. It is divided; it goes to different things.

Mr Arnott: The municipality gets some of that money.

Ms Hochu: Yes, they do indeed.

Mr Arnott: How does it break down?

Mr Ian Duff: Four cents go to the municipalities, one cent goes to the province, half a cent goes to the regions and half a cent goes into a fund for rehabilitating abandoned pits from years gone by.

Mr Arnott: So with a 50% increase, the additional money would go to the province, I guess.

Ms Hochu: Yes. The proposal is to increase from six to nine cents a tonne and all three additional cents would go to the province.

Mr Arnott: You really didn't go into what impact that might have on your industry and the construction industry in general. I assume that would just drive up the cost of road building.

1550

Mr Robert Albrough: Maybe I could give you an example on that. There's one operation where it could make the difference this year of about \$400,000 off their bottom line, one single quarry operation.

Mr Arnott: If they were forced to eat it.

Mr Albrough: Yes.

Mr Arnott: But presumably they'd pass it along to their customers, would they not?

Mr Albrough: It's a very competitive market. It would be nice to say that, but it doesn't always happen.

Mr Kwinter: I'd like to pursue this idea. MNR has eliminated the \$1.8 million that they used to provide for these various administrative services. Is that correct? You pay, through fees and everything else, \$2.8 million. And there's a trust fund. What is that trust fund? How is that funded and what does it do?

Mr Duff: The trust fund through TOARC is money that the industry raised. It went into the government, into a fund, to ensure that if any aggregate producer went out of business and left an open pit that pit would be rehabilitated. Funds were accumulating without a lot of I guess you'd say action on some of the old pits that had been abandoned. The industry, as part of the latest Aggregate Resources Act, took over the responsibility and took over part of that fund that was available and is now actively rehabilitating—how many have they done?

Mr Albrough: It's 37.

Mr Duff: There are several pits every year in all different municipalities. Some that trust is there and is basically cleaning up some of the landscape that has been left from the 1940s or 1950s, the early years of the industry before there was proper regulation.

Mr Kwinter: But is that also used for, let's say, a current case where an aggregate company goes broke and

just abandons the quarry, and that's used to rehabilitate that quarry?

Mr Duff: It's also there for that purpose, although it does not happen—

Mr Kwinter: So are you required to contribute any more to that trust fund, or is there enough in there and it's self-perpetuating and just keeps going?

Mr Duff: As long as interest rates keep the fund alive, that's the intent, yes.

Mr Kwinter: What is it that you're looking for? Are you looking for the government to reinstate that approximately \$1.8 million into MNR to look after these administrative costs?

Mr Duff: The simplest thing would be to do that, absolutely, but there are realities that they are trying to face as well. So we're trying to work with the government to find the best possible solution. One is in increasing the fee, which would do that, but then the aggregate producer is faced with how do you pass that on to the customer unless it's set up as some sort of tax or something. What ends up happening is that the public are the ones paying the bill in the long run anyway, so throwing the dollars around is not necessarily accomplishing anything.

What we're trying to do through the APAO is just produce better producers through training, through seminars that we hold. We've been doing this since 1956 and it's been working very well. We have a good group; it's the majority of producers in the province. The topics that we cover with them stress the importance of rehabilitation on pits and quarries, of doing it sooner, of minimizing the impacts on the taxpayers of Ontario by minimizing our haul routes, minimizing the amount of truck traffic out there.

Mr Christopherson: Thank you for your presentation. How many abandoned pits are there, do you think, in the province right now?

Mr Duff: We could get you those figures. I don't know if—

Mr Christopherson: I'm just curious.

Mr Albrough: It was around 5,000 when they did the first inventory. There are other areas of the province that haven't been inventoried yet.

Mr Christopherson: At what rate annually do we find abandoned pits, do you think?

Mr Albrough: At what rate do we—

Mr Christopherson: How many per year?

Ms Hochu: How many do we rehabilitate?

Mr Christopherson: Sorry?

Ms Hochu: Do we find or do we rehabilitate, the abandoned pits?

Mr Christopherson: Those that are abandoned, where nothing is done. I'm just looking to see. You gave me the figure for how many there are. I wonder just how many per year are added to that, roughly.

Mr Albrough: We haven't added any since the first inventory, and that was mainly southern Ontario and the designated areas of the province.

Mr Christopherson: So there aren't any more?

Mr Albrough: There are more in the undesignated areas of the province.

Mr Christopherson: That's what I mean. You mentioned good producers versus bad producers. Can you give us an example of what the difference would be between what you would characterize as a bad producer versus a good one?

Mr Duff: Anyone who breaks the law, I guess, is a bad producer. There are strict rules in our industry. If a person has a licence on a piece of property and digs through that boundary of the licence to someone else's property or into an environmentally sensitive area, that is bad. People who have little respect for their neighbours by not caring about their hours of operation or not getting back to a neighbour who has a question about their operation would be characterized as bad operators.

Mr Christopherson: Just out of curiosity, where exactly does the word "aggregate" come from? Why is that the word used to cover this? You're all laughing. Is there a story there? Do you know, or is it just one of those, "It is."

Mr Duff: It used to be sand and gravel. But sand and gravel were produced 10,000 years ago by the glaciers, and as you use it up, it gets scarce. So nowadays there is more of a need for quarries in Ontario when the gravel that's close to the market is disappearing. The general term "aggregate" has to do with the size of the particles, from small particles up to larger particles, that would make a proper mix for concrete.

Mr Christopherson: I always knew what was being referenced but for the life of me I couldn't figure out where the actual word came from, why this is the word. Anyway, thank you for your presentation.

The Chair: On behalf of the committee, thank you very much for your presentation this afternoon.

Mr Kwinter: Mr Chair, as you know, there is an event taking place right now that has some significance for members of the Liberal caucus. I understand we have an agreement that we will go and will come back.

The Chair: Certainly I'm more than willing to abide by this agreement.

Mr Kwinter: We also have an undertaking that nothing untoward will happen while we're out.

The Chair: We will welcome you back when you come back.

REGISTERED NURSES ASSOCIATION OF ONTARIO

The Chair: Our next presentation this afternoon is the Registered Nurses Association of Ontario. Could you please come forward and state your name for the record, unless you want to follow the two gentlemen for the unveiling.

Ms Jacqueline Choiniere: I was just curious as to what the noise was.

The Chair: They're unveiling a portrait of former Premier Peterson. It's the formal portrait, so it's a big ceremony.

Go ahead, please.

Ms Choiniere: My name is Jacqueline Choiniere. I'm the director of policy at the Registered Nurses Association of Ontario. With me is Kim Jarvi, the economist-health analyst at RNAO.

RNAO, as I think most of you know, is the professional organization for registered nurses in this province. We welcome the opportunity to participate in this consultation and to convey the issues and concerns of Ontario's registered nurses to the committee members.

First of all, we acknowledge the investments made by government in health care and nursing over the past year. But our major theme today is that there is still work to be done. Investment is still required to ensure that our health care system continues to sustain us. Furthermore, Ontario's budgetary situation has improved significantly in the last few years. Prudent investment in the health and wellbeing of all Ontario residents is clearly less fiscally challenging now. There are several reasons:

1600

(1) Growth and growth prospects are good. The province has enjoyed several years of significant growth in real GDP: 4.8% in 1997, 4.2% in 1998, and an estimated 5% in 1999. Private forecasters continue to predict strong real growth in the range of 3% to 4% for the coming fiscal year. Some economists expect that real growth will continue at 3% per year for the next few years as well.

(2) The deficit has fallen steadily since 1995-96 and has consistently been below target levels. The 1999-2000 deficit is projected to fall to \$1 billion, with the 2000-01 target of a balanced budget being well within reach.

(3) Federal transfers are up. In the past year, federal transfers for health have risen sharply after having undergone an equally steep decline since 1995-96. Ontario received an increase of about \$1 billion in health transfers. Further, the federal government has also committed a substantial, though unspecified, portion of its current surplus on new spending and the federal Minister of Health has tentatively offered new cost-sharing in home care and in primary health care services. This would greatly benefit Ontario residents, given the intention to implement primary health care reform and the recent Health Services Restructuring Commission recommendations.

Thus, our argument is that there is now more room to reinvest in sectors of the economy that have suffered from years of cutbacks and restructuring, including health. RNAO firmly believes there is fiscal room and indeed it is essential to reinvest in the long-term health and wellbeing of our society.

Next we want to deal with some of the reasons why we need to invest at this point.

First is that our health care system remains stressed. In our full submission we note the obvious, that the health care system in spite of recent reinvestment in health care is indeed under stress. Funding cutbacks and radical restructuring are widely seen to be part of the problem. Another problem is that only hospitals and physicians are

covered by the Canada Health Act. Consequently, other critical sectors like the community sector are underfunded. Given that the federal Minister of Health has offered to discuss cost-sharing and given that Ontario is already investing in this area, a partnership in this area might be mutually beneficial.

Secondly, the public remains concerned about our health care system. The polls are unanimous in this area. The public is indeed losing confidence in our system. Measured public satisfaction with health care institutions is declining. Unfortunately, the public lays the responsibility for this decline at the feet of the provincial government.

Thirdly, there is unwavering public support for a publicly funded, universally accessible health care system. In spite of this problem of confidence, the public has not abandoned its commitment to a publicly funded health care system. On the contrary, Ontarians demonstrate a strong willingness to support a health care system that is appropriately funded, as witnessed by the overwhelming opposition to funding cuts. A very recent Angus Reid poll reported that 66% of the public was opposed to a two-tiered health care system. The same study even found substantial support—55%—for raising taxes to spend directly on health care.

Our fourth reason is that challenges persist in solving the crisis in nursing. The government has started to seriously address the concerns of nurses and has re-invested. This is a positive step. When a sector is hit as hard as the nursing sector has been, there are inevitable lingering costs. Nurses continue to report difficult work circumstances that limit their ability to perform the care they have been trained to do.

Nurses are waiting for the money that has been reinvested in nursing, in all sectors, to translate into substantial numbers of new, permanent nursing positions. There is no mechanism to ensure that funds earmarked for new nursing positions are being used as intended, and this is extremely problematic. On many occasions, the joint provincial nursing committee has expressed concern about the use of these funds, alerting the government of reported instances of misuse. These include the creation of temporary or casual nursing positions or applying the funds towards accounts other than nursing human resources, such as equipment purchases and deficit reduction.

Our full submission also speaks to the factors that influence a healthy population, only one of which is the health care system. In this area the research is clear: Fiscal and economic policies play critical roles in the health of the citizens of any jurisdiction. This goes beyond the obvious factors such as spending on health care and illness prevention.

Fiscal and economic policies have significant impacts on a series of social and environmental factors that in turn have long been known to be critical to health status. These include absolute and relative poverty, which adversely affects health and causes premature mortality. In Ontario and the rest of Canada, income disparities and

poverty have been growing, so there is room for action at all levels of government. The sharp rise in child poverty is the most distressing feature of the upward redistribution of income.

Unemployment: Although fortunately this has decreased, we need to further reduce current levels.

Social support and social cohesion are demonstrated to improve population health. The growing income disparity combines with the fraying of the social safety net to greatly reduce the degree of cohesion in our society today. Even the best health care system in the world, if it were combined with an inadequate social safety net, would still compromise the health of a significant portion of the population. Now is the time to invest in all areas that have been hard hit by budget cutbacks and by private sector retrenchment: physical, human and social capital.

Our submission also calls for the need for what we term true economic sustainability, and we have a number of recommendations. Ontario, like other provinces, is at the mercy of outside forces, subject to the vagaries of federal economic policy and of global markets. The feds substantially cut transfers to provinces after 1995-96, which contributed to tremendous fiscal pressures at the provincial level. More importantly, the federal government has at its disposal a very powerful tool, monetary policy, which can help or hurt the provinces.

In the early 1990s, perversely tight monetary policies choked off physical investment through high real interest rates. At the same time, tight money overvalued the Canadian dollar, which devastated the trading sectors of the economy. This saddled the provinces with debts largely not of their own making. Mercifully, this policy has been substantially reversed, to the great benefit of Ontario.

At the same time, expansionary policy in the US is fuelling a boom in Ontario. This happy coincidence of favourable external circumstances is rapidly changing fiscal realities in our province. However, these circumstances could easily change. Conventional economic wisdom is to make hay while the sun shines. Fiscal prudence is always in order.

Economic sustainability arises around a number of issues. Having the right infrastructure is essential to economic prosperity. The market tends to underprovide certain infrastructure—for example, transportation networks, schools, hospitals, water treatment facilities and so on—because the market cannot generate appropriate incentives. Governments traditionally have had to step in to fill the gap, and it is long overdue for provincial governments to start to address the erosion of the infrastructure in a truly serious way.

Now is not a time for tax cuts. Tax cuts as a method of raising demand have a very limited effect. They disproportionately benefit higher income people, who will spend the smallest share of the cut of any group in the economy. An equal rise in government spending would have a much stronger stimulative effect on demand. Furthermore, if these tax cuts are matched by spending cuts, as they have been, the net effect on spending is

negative. Thus, we share the expressed sentiment of the public on this issue. We do not want tax cuts if they are purchased by cuts in spending or services, or if they come at the expense of an increased debt.

Even if tax cuts were effective as a provincial demand-management tool, now is not a good time to do them. This is not to say that we should not change the way we collect taxes. It is desirable that taxes be as efficient as possible, and distort correct prices as little as possible. On the other hand, taxes that correct for market imperfections would be desirable. For example, the market overprovides environmental destruction and harmful substances. Green taxes—for example, carbon taxes and increased gasoline taxes, and tobacco taxes could both help to correct underpricing of harmful activities.

We also call for prudent spending. Fiscal responsibility is not only a matter of generating sufficient revenue, but also in spending money in the most effective way possible. The province has belatedly taken some steps forward in this respect with the health care system, and should continue on this path. For example, it has started listening to nurses and has begun to address the serious problem of recruitment and retention of nurses. Nursing is strongly supportive of changing the way that health care is delivered in Ontario. The old, expensive, hospital-centered, cure-focused, fee-for-service model should give way to a more community-based model with doctors and nurses working in collaboration in a system that rewards better health outcomes and illness prevention. The government's Health Services Restructuring Commission has pointed the way towards primary health care reform, as we have already noted. We know that needs will continue to rise in the future as the population ages, so there must be a way to deliver health care and illness prevention in the most efficient way possible.

1610

We caution the government to beware of costly privatization. Fiscal responsibility also entails choosing the most efficient way to fund and deliver health care and other social services. With respect to health care, the economics are very clear. Public funding not only guarantees universal access and controls over quality, but it is also the cheapest way to fund health care. The present government appears to be in accord with most Canadians on this point. Research overwhelmingly also shows that public or not-for-profit provision of health care services is also cheaper and of better quality than for-profit provision. The major nursing organizations in this province have publicly declared their concern about the increasing privatization of health care in Ontario and indeed in Canada. This is of particular concern in the areas of home care and long-term care facilities especially. Nurses' concerns in this regard are both about cost and quality.

In the area of social sustainability, we argue that this area is even more neglected. This includes both the development of human capital and the maintenance of social support structures that maintain a healthy society.

Deep cuts to social assistance have definitely pushed many marginalized people even closer to the edge, with unknown consequences for the future. Already, levels of poverty are reported to have risen sharply since 1989. At this point, we cannot assess if the economic turnaround has helped to reverse this trend.

Social sustainability can be addressed on many fronts. A full-employment policy would go a long way in this direction. There still remains the need to deal with those who do not get enough income on their own. There is a patchwork set of programs for this purpose, which has endured cutbacks at a time when the need was greatest. A more coherent set of programs is called for.

Environmental sustainability is also a great challenge. The effects of environmental degradation are often very delayed and hard to identify. Thus they are easy to ignore, particularly since there is very little money to be made in protecting the environment. This is very unfortunate from the point of view of the long-term health of Ontarians. When cutbacks swept through the Ontario government, the Ministry of the Environment was particularly hard hit. Capacity to monitor and analyze has been greatly reduced. It is clear that we cannot rely on industry to police itself, as the incentives to pollute are too strong. Firms that are guided by environmental concerns may be put at a competitive disadvantage against other firms that choose to ignore these concerns. Thus both the public and industry gain by having a level, environmentally responsible playing field for all firms. As Ontario approaches a balanced budget, a reinvestment in environmental protection is long overdue.

Finally, some final RAO recommendations. We still have much work to do in developing what we call a true accountability framework not just for health but for all ministries. In the health care sector, this entails the collection and processing of data essential to analyzing the performance of the institutions and agencies that make up our system. This means having access to needed information on a timely basis. We urge the government to organize a formal process of consultation by which key stakeholders can help to define the accountability framework that we need so deeply.

RAO also continues to await the promised patient safety act as one means of increasing access to information, but also of protecting the health care providers who need to report when there are significant problems. RAO urges the government to finalize the entry-to-practice regulations for those entering the profession as registered nurses, and relatedly, to begin flowing funds to implement the recommendations for collaborative education programs that have been outlined in the report of the nursing education implementation committee.

In conclusion, RAO appreciates the opportunity to address these critical issues. The spending and taxing decisions made by the province have a significant impact on the health and welfare of Ontarians for good or ill. The government has already taken steps in the right direction in health care. With adequate accountability and

collaboration, we will see continued improvements in this area.

Finally, we offer our assistance to the government in dealing with any and all of the issues we have presented today.

The Chair: We have five minutes per caucus. I'll skip the official opposition and come back to them later. Mr Christopherson.

Mr Christopherson: Thank you for your presentation; it is most helpful.

Right now, we have a situation where the hospitals have finally been given the green light by the government to hire nurses. Part of our difficulty is the fact that it was initially the government's cutbacks to hospitals—almost \$1 billion—that caused nurses to be laid off in the first place. A big chunk of the money that the government said was an increase in health care spending was money they had set aside for severance for all these nurses. So the government chops the budgets of hospitals, hospitals lay off the nurses, the government sets aside money to pay the severance and calls this increased health care spending, the nurses go and find jobs elsewhere, the government gets into trouble before the election, makes a promise about hiring nurses and now they can't find enough nurses.

Number one, if I've got it wrong, please tell me so, and tell where I'm going wrong.

Secondly, assuming that I'm correct, where are we going to be in the next couple of years vis-à-vis getting enough nurses back into the health care system, particularly in the hospitals, to meet the need?

Ms Choiniere: I'll answer at least one or two parts of that question. What our members tell us, and what we know from other nursing organizations as well, is that if there is an increase in full-time, permanent positions, nurses will essentially come. Relating back to some of the recommendations we have presented here today, this is why we believe an accountability framework, a true accountability framework, is so critical. That would help us in tracking the money that is invested for full-time, permanent nursing positions to ensure that that money is indeed spent in that way.

Mr Kim Jarvi: We don't have the data for 1999 yet, but it doesn't appear from the first indications from the Ontario College of Nurses that the number of actual employed positions has risen significantly over the past year. So that's a bit of a disappointment. It may be that this split is a little more towards full time than it was. The percentage of nurses who have full-time employment is less than 50%, which is certainly a major deterrent to nurses coming into the profession.

It is interesting that when the government made that commitment to nurses, at least on paper, there was a substantial increase in applicants to nursing schools. So another part of the equation would be to make sure of the positions for those students, if they want to come in.

But actual circumstances are going to have to change. Part of the problem, I guess, is making sure the institutions are spending on nurses the money that was in

fact allocated to nurses. We are hearing that that's not the case in many cases.

Mr Christopherson: Where might some of it be going? To the other areas that—

Mr Jarvi: Other areas, even paying off deficits. I suppose it's not entirely surprising, given that many hospitals are tight for money.

Mr Christopherson: Nurses have an excellent reputation among Ontarians, and for good reason. I found it striking that on page 6, when you talked about some of the situations nurses are facing on the job, you could almost interchange the word "nurse" with "teacher" in terms of the morale, the pressure and the lack of adequate supports in place to do the job. It's so important that you are using that credibility to come forward and both talk about the issues that affect nurses directly, which of course is your role, but also to talk about how that affects all of us in the provision of health care. I really appreciate your submission today.

If I have time, I'd like to ask you—

The Chair: Quickly, go ahead.

1620

Mr Christopherson: You state that, "However, research overwhelmingly also shows that public or not-for-profit provision of health care services is also cheaper and better quality than for-profit provision." If you check Hansard, you'll find that earlier on, I and a representative of a taxpayer group crossed swords over this very issue. I was making the case that our system is more efficient than the privatized system that exists in the States. You are making the same statement I did. Can you expand on that and, if you know first-hand, what studies were referred to? He was adamant that I was telling an untruth.

Mr Jarvi: Some of the studies are referenced in the endnotes, so you'll have a start there. We can certainly supply you with an endless list of major studies.

Mr Christopherson: I know they're there. I just wanted you to get them on the public record.

Mr Jarvi: The New England Journal of Medicine, the Journal of the American Medical Association, British medical journals—top medical journals; if you get an article in them, you've done very well by yourself academically.

Mr Galt: Thank you for your presentation. Also, thanks to your organization for working with the government as we've come through a very difficult time with health care and some of the challenges, and what HSRC has come through and recommended. I meet with the local nursing association as well, and appreciate those opportunities and those breakfasts. Thanks for recognizing where the cuts really have come from: the federal government and the lobby it is putting forward.

We've been hearing so many things. Just today we heard that if we doubled the amount of money going into health care, we'd still need more. We've heard that there are rations in Ontario and in Canada because of waiting lines, and the US is rationed because of cost.

Last summer I had an experience to go through some hospitals. I was in four, and the nursing care was top

drawer in each and every one of them. I have no complaints about the system at all. I don't have people coming to me with complaints, other than the odd phone call that comes to my office and, of course, reading the front page of the *Toronto Star*. I find that the problem with the health care system really seems to be with the ambulance chasers, which the opposition sometimes likes to do.

I'd like to recite to you as best I can a letter to the editor that was related to an incident in, I think, early January. It was in the community paper in the Belleville-Stirling area. This woman came to Toronto because her mother was very seriously ill with the flu. She called 911—non-emergent. The ambulance came and asked, "Which hospital?" and they suggested Scarborough Grace. They radioed and it was on critical care bypass. They radioed another hospital, critical care bypass. They radioed another. Soon they were outside of her area. She said, "No, I don't want my mother to go that far away." The paramedics said: "How be we help you put her in the car? You drive her to the hospital and they'll accept her." She drove to the hospital expecting an eight- to 10-hour wait in the emergency ward. When she got there, there was not a single soul in that emergency waiting room. She got the wheelchair and brought her mother in, and her mother was seen immediately. Her last sentence was to the effect, "Who is playing games with whom?"

I see the *Toronto Star* and then I read this letter to the editor. Can you comment on what's going on from your point of view?

Ms Choiniere: Certainly our members are telling us that the problems we are having in our health care system are real. I think what is going on in many emergency rooms is but one symptom. For example, in speaking specifically about the emergency situation, one of our recommendations is that we need a good, comprehensive primary health care system, which I think will mean that people will get the care they need. Quite frankly, what happens now is that individuals who need care, not necessarily emergent care, after five in the afternoon, really don't have much choice but to go to an emergency department. That means we have a situation in which they, and however many other people, are there, which means it's a little congested when a real emergency comes through the door.

We think it is critically important to take a system view of what's happening. I think that means we need to do some upfront investment in order to get our system to where the components of it can be utilized appropriately.

Mr Galt: Something you didn't put in here that I thought you might have had to do with nurse practitioners as one solution for primary care. Do you want to comment on that?

Ms Choiniere: Yes. As you know, we have approximately 400 nurse practitioners in the extended class, who are able to order certain medications and tests and so on—so it's an extended role—who would be exceedingly helpful as we expand this primary health care system. They work in collaboration with physicians, just truly

successful partnerships that we have already in certain areas between nurse practitioners and physicians, and we also know that physicians are anxious to work with nurse practitioners as well. So we see it as one key answer for the system.

The Chair: On behalf of the committee, thank you very much for your presentation this afternoon.

TORONTO BOARD OF TRADE

The Chair: Our next presentation is from the Toronto Board of Trade. We're running a couple of minutes ahead of time. Are you ready to go?

Ms Terri Lohnes: Our director of policy just stepped out to make a quick phone call. Would you mind if we tried to track her down?

The Chair: No, go ahead; you've got a couple of minutes.

Ms Lohnes: Thank you.

The Chair: Welcome. If you wouldn't mind stating your name for the record, please, and you have 30 minutes.

Ms Louise Verity: Good afternoon. My name is Louise Verity. I'm the policy director with the Toronto Board of Trade. Regrettably, our president and chief executive officer, Elyse Allan, has come down with the flu, so she send her regrets. I'm the poor replacement.

With me today is Terri Lohnes. Terri is the staff economist with the Toronto Board of Trade and also very much our numbers guru.

It is my pleasure to address the standing committee on finance and economic affairs on what Toronto's businesses believe are the priorities in the 2000 budget. We will be submitting a detailed series of recommendations to the committee shortly, and my comments today reflect the major highlights. Our submission is based on two pillars.

As a non-profit board, we have a process that we go through in order to get to the point where we can make our recommendations public. So we will have a very detailed submission, in the neighbourhood of 17 to 20 pages, and we hope to get it to all committee members by this Friday.

First, in terms of our pillars, the province must fine-tune the provincial economy through debt reduction and corporate tax reform.

Second, the province must strengthen Toronto through property tax reform, infrastructure renewal and initiatives to assist the homeless.

The Toronto board has supported many of the economic reforms initiated by this government. Personal income tax reductions and deficit elimination spur economic activity and result in a stronger, more attractive Ontario for business.

We expect the Minister of Finance to balance the budget in 2000-01. Now we must establish an aggressive debt reduction plan.

1630

Forecasts for the provincial economy are very robust, indicating that the province will soon experience the same pressures as the federal government in dealing with these types of surpluses. Spending should not increase by more than population growth and inflation combined. This still allows for increases in program spending around 3% annually. We believe this is adequate.

The province must first commit a substantial amount of potential budget surpluses to debt reduction, then tax cuts, and then, only once these areas are competitive internationally, program growth.

We believe the government must continue its positive initiatives to reduce the taxes that hard-working Ontarians pay.

Corporate tax reform also must be part of the tax reform agenda and include, first, the elimination of the Ontario corporate minimum tax, a competitive disadvantage for businesses in Ontario; second, the reduction or elimination of taxes on capital, a profit-insensitive tax that deters businesses from growing in Ontario; and finally, the harmonization of the provincial and federal sales tax regimes to reduce business costs and increase transparency for the taxpayer.

The province is well positioned to continue its strong economic performance, but only if it acknowledges and addresses the importance of Toronto to this success. Ontario's economic success requires a strong, vibrant and growing Toronto, which leads to the second pillar of our submission. There are three criticals the government must act on in this area. Business property taxes must be reformed, SuperBuild must have a significant Toronto focus, and homelessness must be addressed.

Last week, the Toronto Board of Trade released *Why Grow Elsewhere?*, our recommendations on property tax reform. I have brought copies for the committee. Currently, Toronto's commercial and industrial tax rates are six to eight times more than the total residential rate and more than two times those of neighbouring jurisdictions. This is simply uncompetitive. It means that our city is not as strong and competitive as it should and could be. If the property tax disparity is not fixed soon, jobs and businesses will be lost.

The city of Toronto cannot implement all the necessary reforms without assistance from the province. Our report outlines in detail what the province must accomplish.

The province must require all municipalities to cap tax revenue from all property tax classes with a tax ratio greater than the weighted provincial average. To protect our communities, the province must create a separate property class for neighbourhood commercial. These are the smaller businesses, in most cases the street retail, that are critical to the fabric of our communities and that populate our main streets.

With respect to the municipal education tax, the province must accelerate the education tax reduction phase-in by 24 months. The board was really delighted a couple of years ago—it was either in the last budget or, I think, the

budget before—when the province announced the education tax relief. We still see this as a major impediment and we hear from our members that the education tax component is still the highest, really, in the province.

The province, with the city, must also look at innovative tax-related financing tools to encourage economic development and investment and how these tools can be applied to Ontario.

The province must also examine the continued applicability of the current value assessment methodology in comparison to the value-in-current-use type of assessment. We suspect the latter would reduce the impact on small business.

Finally, the province must implement a rolling average assessment for longer than three years and consider instead a rolling average of nine or 10 years. Earlier this week we saw the results of this with respect to the potential changes, certainly the cyclical nature of what's occurred in particular in the Toronto real estate market.

I refer you to our paper for a more detailed explanation of the reforms.

Toronto's business community is also very interested in and committed to improving our roads, rails and transit systems. We commend this government's announcement of the SuperBuild program in response to these challenges. SuperBuild's priorities must focus on projects that have the greatest economic return for the province. Projects related to the Toronto area accomplish this objective. The Toronto board offers to work with the province to identify projects that provide a positive economic return and attract private sector partners to the table.

Finally, I will close by talking about homelessness. I want to raise the concern the Toronto board has for the rising incidence of homelessness. There is a provincial role to play that extends beyond the commitments made so far by this government. Access to affordable housing is one of the key elements in reducing the incidence of homelessness in a city like Toronto.

Specifically, we encourage the province to, first, examine the potential for public-private partnerships in providing affordable housing; second, waive the PST on materials used in constructing affordable housing; and third, examine the feasibility of expanding the provincial rent supplement programs to assist families and individuals who are at risk of becoming homeless. These are some of the initiatives with minimal cost that can make a difference for our city's homeless.

We believe the framework presented today is achievable for this government. To that end, we offer our support and assistance in achieving these recommendations. I'd be pleased to answer any questions you may have.

The Chair: Thank you very much. We have approximately six minutes per caucus.

Mr Christopherson: Thank you for your presentation. I noted that on the first page you state, "The province must first commit a substantial amount of potential budget surpluses to debt reduction, then tax cuts, and

then, only once these areas are competitive internationally, program growth.”

We had a presentation earlier today, in fact the one before yours, from the nurses. You may have heard some of that presentation, speaking to the deficiencies—crises, actually, in some cases—that exist in our health care system right now. We heard just a little earlier today from women making presentations about the cuts to first- and second-stage housing, women who are facing abuse, who are fleeing an abusive situation. Both the shelters where they go as a first stage and then an interim housing accommodation with some supports as the second stage—both those programs have been cut severely to pay for part of the tax cut. We know, through submissions made to this committee, that there are serious problems in child care provision in the province of Ontario—again, cuts in those programs to pay for the 30% tax cut that so many hail as being so wonderful. Education: We’ve had teachers, psychologists, psycho-metrists coming in and talking to us about the crisis that exists in our education system in terms of not having enough educational assistants for kids with special needs, not enough support services for children, especially in the inner cities, for instance English-as-a-second-language programs. All of these things have been cut, cut, cut. Protection for our environment—that affects the health of our children, the health of our communities.

Yet with all of that, you’re still maintaining on behalf of the board of trade that all of that is secondary and that the number one priority has to be the debt, and then the number two priority is more tax cuts, and then, and only then, start to address some of these other issues. You feel that 3% at the most ought to be what’s spent on those areas. I have some trouble understanding how you believe that’s going to give us a stronger community and a stronger economic unit—not just social, but economic unit—in the future if we actually followed what you’re recommending and ignored all these crises that affect so many people.

Ms Verity: Thank you for your question. In responding to you, I’d have to come at it from a number of different ways.

The first is that obviously, in terms of being government, you will hear a variety of recommendations from a number of different groups, many of them in direct contrast with one another; certainly a number have been put on the table now. Our feeling from a business standpoint is that at this point we have an operating budget in the province of over \$50 billion. The challenge is, how can we best allocate those dollars in such a way that those who need the supports and the types of programs get those services the most? That is a tough decision that requires making some tough choices. That’s not to say that we have the best mix right now. From the Toronto business community’s perspective, our sense is that there is one taxpayer. People are feeling as though taxes are a very serious problem. In order to protect the economy to ensure that people have jobs, to ensure that we have health care, to ensure we have a strong educa-

tion system, to ensure that we have a strong training system, we have to make sure we have a strong and robust economy that will prepare us for the future so we can deliver these types of programs and services.

1640

Mr Christopherson: Fair enough; I understand that perspective. My difficulty is that all of these cuts and crises are happening at a time when we’re in the biggest economic boom that North America has ever seen, led by the American economy. If we can’t solve these problems in the good times, how can we possibly—I can’t imagine you rolling in here in three or four years, if we’re in the ditch economically, saying, “It’s time now to spend a whole lot more money in education, health care, environmental protection.” If it’s not going to happen in the good times and it’s not going to happen in the bad times, when is it going to happen? I say this very sincerely.

For a lot of people in Toronto and elsewhere across the province—and I referenced it a number of times today. There’s a story on the front page of the Star today about a man for whom doctors spent five hours trying to find a bed in an emergency. They didn’t. There may be an inquest as to whether that delay caused his death. His wife is on record as saying, and I’m paraphrasing, that the irony is that her husband supported all these cuts, but he found when he needed the system it wasn’t there. Why wasn’t it there? Because in order to give the tax cut, which even this gentleman thought was good at the time, it has to be paid for from somewhere. Part of it is coming out of the health care system and part of it is coming out of the education system.

I have trouble understanding why people should believe that a 20% or a 30% tax cut, of which the average middle-class person doesn’t get the best benefit—it’s the well-off who do—is a good deal when the price is the education system for our kids, child care services for our kids, environmental protection for our kids and the health care system for our kids. How can this possibly be a fair deal? If we don’t deal with it now, when are we ever going to deal with it? It’s not going to happen during the bad times.

Ms Verity: In terms of responding to that kind of question, if we had the kinds of dollars that we’re spending in debt service charges and other ways—we’re spending more still on debt service costs. I think it is somewhere in the neighbourhood of \$9 billion. That would more than fund the education budget, probably the two education ministries combined. You reach a certain point where the cost of not doing the right things with the economy can result in some consequences that are extremely dire, and more so perhaps than we have today. What you’re hearing from us is about protecting the future of our children.

Mr Galt: Thank you for your presentation. I’m not surprised that it was an excellent presentation, coming from you.

I was just listening to the opposition and some of their comments. I don’t know how many times he has brought up the front page of the Star. I guess their party’s policy

is based on the front page of the Star. This happened last July; it wasn't yesterday. The subheading is, "Doctors Disagree Whether Delay Caused His Death." Aortic aneurysms are very dangerous things, just to put it into perspective. We've been ranting and raging about the front page of the Star most of the day and I think we could put it to rest.

Looking at some of the property taxes, I want to ask some questions. We had a presentation earlier from the Greater Toronto Hotel Association. In 1998, property tax as a percentage of hotel revenue per room in Toronto was 13%; in Los Angeles it's 3%. Both councils have to run a city. I have difficulty understanding why there would be that big a percentage difference. Also, he told us that in Toronto it works out to taxes of \$5,000 per room and, if my figures are right, in Mississauga, a hotel right next door, it is \$1,400 per room. When I was on the Hydro select committee a couple of years ago, we were told about the horrendous difference in rates between Mississauga versus Toronto. Why is Toronto in this much trouble with property tax when Mississauga isn't? Toronto is booming as well. It's the engine of Ontario, as Ontario is the engine of Canada. Why? I don't follow what's happened here.

Ms Verity: The situation in Toronto is somewhat unique. A big part of that had to do with the fact that until the changes were made in the later 1990s, moving to a current value type of system, it was very difficult to assess the differences from one location to another. Now our system is completely transparent, so you can see the differences in a much clearer way. As well, historically Toronto was one of two cities in the province that actually paid full freight for education. This is a result of the historical funding formula. But really what's happened is that over the years the decision has been made that in order to deal with new expenditures, whether it's for programming or maintaining existing programming, that money would come from any type of property class outside of the residential sector.

While our report is very much geared to the commercial and industrial sector, about one third of the benefit of our recommendations would go directly to the multi-residential sector in Toronto. If you look at the number of renters—and, granted, this wouldn't cover everyone—about 53% of all Torontonians actually rent their accommodations, so the benefits would actually go to them as well. But in Toronto it's a very complicated system and it has evolved over a number of years. It's a difficult sell.

Our feeling in talking to our members is that it is a very serious problem that has to be addressed. The reason why we picked this as the time to come forward is that we've got a couple of things happening this year. One is a municipal campaign. Secondly, the 2.4% cap will expire at the end of this year, which means no holds barred; there will be incredible changes if some action isn't taken.

Mr Galt: It will be looked at again.

Just one other area I'd like to go into for a moment and that has to do with harmonization of the retail sales taxes. In theory it sounds good, but every time our Minister of Finance has had a look at it, as I understand, it just means more tax from the public. It goes into different areas because it's the services, whereas our provincial sales tax is more on goods. There doesn't seem to be an easy way to bring them together. In theory, yes, it is good. But to make it work in practice, do you have any suggestions?

Ms Verity: I'll have Terri answer that question.

Ms Lohnes: You're quite right: Harmonization of the two taxes is rather complex given that they tax two different tax bases. One of the recommendations we've made in the past and continue to make around this is that Ontario would be the linchpin in a harmonization right across the country. One of the leverages that the province could have is exploring the application of the GST in a combined system. We believe that the province can in fact have leverage in deciding what a harmonized tax would actually tax, that you wouldn't have to have the PST necessarily moved to the full GST base. We also think there's an opportunity for a rate reduction in a combined PST-GST system which would mitigate some of the base-broadening impact on taxpayers. There are some options that could be looked at in dealing with the harmonized system that would make it perhaps more attractive than it seems on the top.

Mr Phillips: Just a comment on the health issue because the other two parties have commented on it. The reason that it was commented on this morning was—I'll give you a specific example. A young lady in my area went to the local hospital. She was eight months pregnant and got a brain haemorrhage. The hospital made 21 phone calls trying to get her a bed in Toronto and couldn't. She was transported to Hamilton but couldn't get an air ambulance. She got there and she passed away, tragically. This was two and a half years ago. I pushed to have a coroner's inquest. It took me two years to have that—me and others pushing it. They made several recommendations. Then I read today the exact same conditions existed when someone else passed away. That's perhaps something to do with the board of trade but not directly on your presentation.

I wanted to ask a couple of questions. You mentioned the homeless, that it would require a partnership between the private and public sector. I'll ask both questions and you can comment on the public sector involvement.

I carry this around with me. It is a document called Ontario, Canada: The Future's Right Here. It says in this document: "Downtown core service sector operating costs lower in Ontario: The overall costs of running a financial services business with 100 staff and 20,000 square feet of space in downtown Toronto is 26% to 48% lower than in downtown Atlanta, Dallas, Chicago, Boston, Jersey City, San Francisco, Los Angeles or New York," according to a June 1998 KPMG business cost comparison." I'm wondering, and I've read the briefs of the Board of Trade, which are always excellent, but why

would the government be saying that the costs are that much lower in downtown Toronto, ie, 26% to 48%, when the facts you're presenting would indicate something different.

1650

Ms Verity: First of all, in terms of looking at that report, I've seen it. It has crossed my desk at a point in time. I haven't had a close look at the methodology, so I'd have to do that, and Gerry, I'd be pleased to do that and get back to you. Terri may actually want to comment on that.

What I can tell you is I had a conversation earlier today, and it was with a retailer. This is a group that has stores across the country, stores in the downtown area, and I think I was told that the median price per square foot—and this is a predominantly Canadian business—is something in the neighbourhood of I think \$1.83 per square foot, that was the median price. The price in Toronto, and this isn't in the Bloor Street area either, is somewhere in the neighbourhood of \$5.83. That was a telling example that just crossed this morning. A business person called up and said: "You know, we've seen your report. We like the message that you're trying to put forward. We understand that it's a difficult one to sell, but look, we agree and this is what we're hearing." Then we say: "Can we use your name?", and they say: "Oh no, no, that's a tough one."

In terms of the KPMG report—Terri, have you had a look at it?

Ms Lohnes: Yes. That was an interesting study, but when you actually come down to what one of the major cost competitors was for Toronto, it was the dollar and the fact that our dollar was so low, particularly about a year and a half and the two years ago when this study was done. Because you have such a low Canadian dollar when you look at purchasing power with US dollars for Canadian retail space, it becomes very cheap in that respect, but if you're within Canada, you don't have US dollars to buy the space, or to run the space. That was one of the things. When you factor that in, the disparities shrink significantly between some of those other major international jurisdictions. As well, they factor in a lot of other costs which aren't directly paid by businesses in running their retail but in fact come in other ways, through payroll taxes and those sorts of things that don't immediately show up on the bottom line.

Mr Phillips: You recommend the province create a separate property tax class for neighbourhood commercial. Your members believe that would be an important element in dealing with—that seemed to be the group that was most dramatically impacted by the changes. Do you think that would be a significant move by the province?

Ms Verity: We think that actually could be a significant solution to part of the move towards CVA. The point that I would put on the table, though, is that cannot be the only step that the province takes.

I don't have all the numbers in front of me, but just going on memory, what we looked at there was roughly

five different codes and classifications, which would pick up many of the street retail and others who were negatively impacted. What we found in 1996 when we first started running these numbers is that about 75% of all businesses would actually have increases under the move to a straight CVA type of model, so this is really seen as a way to protect the types of businesses that are really instrumental to community.

The Chair: It looks as though we've used all our time. On behalf of the committee, thank you very much for presentation this afternoon.

COUNCIL OF ONTARIO UNIVERSITIES

The Chair: Our next presentation this afternoon is from the Council of Ontario Universities. If could you please come forward and state your name for the record.

Dr Ian Clark: It's a pleasure. My name is Ian Clark. I am the president of the Council of Ontario Universities. I will be joined soon by Rob Prichard, the president of the University of Toronto and the past-chair of the Council of Ontario Universities. Professor Prichard is meeting with the minister at the moment, and he'll be here momentarily, but I can begin if you wish.

The Chair: Certainly. On behalf of the committee, welcome. You have 30 minutes for your presentation this afternoon.

Dr Clark: I have distributed our brief. We have two visual aids which my colleagues are mounting. When Professor Prichard comes, I hope he gives an impassioned description of why the Ontario universities have need of further support and assistance from the people and the government of Ontario.

Let me give a little bit of background information before he arrives. I'd ask the members of the committee to turn to page 6 of our brief. Page 6 and the succeeding pages contain no requests for funds or further attention from the government of Ontario. They are intended to describe what the universities themselves are doing to respond to the challenges that face the higher education sector in Ontario. They're meant to try to address the perception that somehow Ontario's universities have been insulated from the pressures to be innovative, efficient and responsive, behind their ivy-covered towers.

Let me just point out some of the things that have been going on in Ontario's universities. First of all, I'm relatively new to the position of president. I've taken the opportunity to look around at other jurisdictions and how they manage the universities. I guess my sense is I haven't seen any jurisdiction in the world where the university sector makes more efficient use of the resources available and is more innovative in the way they're doing that.

In the examples shown on page 6, we have constituted—it has just about completed its work—a task force on learning technologies to make sure that Ontario universities are at the leading edge in the use of new technologies. We have a very impressive collective effort to digitize all the library resources of Ontario's

universities and potentially to extend that out to the college sector and the rest of the school sector, which is a tremendous example of collaboration among the various institutions.

Under the "Responsiveness" bullets, the Ontario universities responded very quickly and effectively to the government's access to opportunities program so that there are now 23,000 more new spaces in these high-tech professions, more than the government had originally targeted. Similarly, with respect to teacher education and nursing education, when the government has indicated a need for education in particular areas, the universities have responded promptly and provided the necessary spaces. On college-university collaboration, we had been working hard with the colleges and signed this college-university degree-completion accord.

On the next page, under "Economies and Efficiencies," it goes through a standard list of what members of the Legislature would want to see in their university sector, taking maximum advantage of co-operative purchasing, revenue generation, contracting out in efficient ways to deal with administrative services. When one looks at the overall administrative efficiencies of Ontario universities, they have the lowest expenditures on general administration as a proportion of total expenditures of any of the Canadian jurisdictions.

1700

Finally, on page 10, under "Accountability," Ontario universities provide information publicly on graduate employment rates, degree completion rates, and OSAP default rates. We have commissioned a study, which is nearing completion, by Dr David Smith who is the former principal of Queen's University, to look around the world at quality indicators and measures of quality enhancement that other universities and university systems use to make sure that Ontario universities have access to the best available practices. We are working with the ministry and the minister to address the issues raised in the last report of the Provincial Auditor. I guess the point we would like to make is that Ontario universities are devoting a great deal of attention to making the best possible use of the public resources that they are provided with.

Turning now to the earlier part of the presentation, the two charts that I have beside me show the nature of the challenge that we face. Committee members have probably seen versions of this chart. This shows the dramatic increase in demand for university placements that we anticipate. I know that some of the previous presenters before you have described the impact of that. We're facing a significant increase in the work we have to do, of 20% or 30%.

This slide shows the challenges that we face relative to our competitive jurisdictions, whereas Canadian jurisdictions generally have actually reduced their expenditures on higher education over the last four or five years.

Every American state—it's quite remarkable when you look at it, and many of these states have been reducing their personal taxes and so on—has found it, for

whatever reason, and it's kind of puzzle, to be good public policy and a good investment to invest massively, increase massively in their higher education systems. This is, as you know, a highly competitive area for professors, for research dollars, and even for our best students. While we face this increase in demand which is much greater than most American jurisdictions face, they have been investing at a rate that is dramatically more than Ontario and most of the other Canadian jurisdictions.

The four parts of our brief then can be found starting on page 2, and we've presented this in terms of a shared challenge that we think that the facts of the enrolment increase indicate some government action.

This is, as many of you will recognize, my colleague Professor Prichard. I've just finished setting the table for you here, Rob. This is getting some of the background, demonstrating how efficient Ontario's universities are, for which I take no credit. As I said I'm relatively recent to the scene. As some of you may know, this will be Professor Prichard's last presentation to this committee on behalf of universities, at least for a long time, and I thought this might be a nice occasion for Professor Prichard to give some personal thoughts.

Mr Robert Prichard: Let me begin by apologizing for being late. I was meeting with the honourable Minister of Training, Colleges and Universities for the past hour, and she kept me five minutes longer than I hoped she would. I hope you'll excuse me for being late.

While breathless, having just run here from there, I'm grateful for the opportunity to represent my colleagues at the Council of Ontario Universities. I am the past chair of council, having served as chair for two years. Professor Davenport, the president of the University of Western Ontario, is not able to be here today. He was here yesterday to meet with Minister Eves and asked me to appear on his behalf today.

As Dr Clark indicated, and I notice it brought a smile to the faces of those of you who have heard me before, this will be my last time. I saw Mr Phillips say, "Thank goodness this is the last time." I think I've appeared here seven times over the past 10 years—

Mr Kwinter: Who's counting?

Mr Prichard: —to try to put to you, and through you to the people of Ontario, as best we can, the case for investment in the future of our young people. I'm here to do it one more time, but I'll confess that I think the stakes for the young people of Ontario are greater today than on any of those previous occasions on which I've had the privilege of appearing.

For me, the moment in time you and your colleagues in government face is comparable to the moment in time immediately following the Second World War, when the troops came home and there was a need for radical expansion of the capacity of our public university system to respond to their needs. Similarly, it's comparable, I believe, to the period in the 1960s and early 1970s, when the children of the troops who had come home came to the university level—I was one of them—and where

again there was a need for a major expansion. We had the Davis-Robarts policy of that period, the expansion of the public university system and the introduction of the colleges to meet that need.

This is the third great wave of the post-war period that's now upon Ontario. Just as Ontario responded, I think magnificently, in the post-war period and in the 1960s, we have to do it again if Ontario is to be as prosperous and as good a place to be for a family, as good a place to work, as good a place to live, for the next 25 years as it has been for the last 50. This question that you face now, I believe, there is no question more important than the investments we will make in the intellectual and human capital of our people over the next couple of years to prepare ourselves for this next decade. There is no more important question for the future of Ontario than this.

As Dr Clark has explained, we face a major increase in the number of students who will want to attend our institutions. This happens at a time when every observer from left to right, anywhere around the globe, concedes, acknowledges that it will be the quality of people's minds, the power of the mind—it will be human capital, intellectual capital—which will be determinative of the relative success of jurisdictions in the global economy. This convergence of the importance of intellectual capital with the demand that's coming from all these students—we can see them all. They're all in grade school and high school already. This isn't a prediction based on fantasy. These students are countable. These students can be counted. We know we must meet their needs. We know we must give them a terrific opportunity if we want to give Ontario an opportunity.

All I say to you in the context of all of this is please get it right. For the sake of not just the young people of Ontario who want these places but for the sake of all of us in Ontario, please get this as right as your predecessors did in the 1960s and in the late 1940s when the two previous waves of great change in our system had to be met.

1710

We have put forward a plan. We have worked closely with the government. We have worked closely with Pricewaterhouse Coopers. We have worked closely to develop, we think, an intelligent, workable, measured plan to make sure Ontario gets this right for the next decade.

I'm in a happy position, in terms of my employment. Whether we get it right or wrong will not affect my life in any direct way, because I won't be the president struggling to make it work the way it's been my privilege to for the past 10 years. But if I pull back from being the president to just being the parent that I am, with three children, all of whom will go through this system during this period of expansion, as a parent I ask you to get it right, I ask you to attend to this issue, I ask you to attend to creating the additional places, making the additional investments in research and innovation, the additional investments in our physical plant and in our capacity to

renew our physical plants, our investments in faculty renewal, our investments in student financial support. We set this case out. We need the government of Ontario, the people of Ontario, to embrace this cause for the sake of all of us as Ontarians, as parents, as young people and as teachers. All of us have a stake in getting this right.

I have to confess that I'm not confident we will get it right or that we are getting it right yet. There are some very encouraging signs. We've made some real progress in the last two or three years. The Ontario challenge fund is making a real difference. The Ontario Innovation Trust is making a powerful difference. I expect the SuperBuild investments that will be announced in the weeks ahead will make a powerful difference. The access to opportunities program, which doubled computer science and electrical engineering, has made a powerful difference already. The Ontario student opportunity trust fund has made a powerful difference.

We've had a number of very positive developments, but what we need now is to pull that together with a multi-year plan with the adequate operating support to our institutions to allow us to take full advantage of each of these individual initiatives that have been taken and to ensure that we have the opportunity for our young people coming through.

I'm not at all here to complain. I actually come here with gratitude for numerous important steps that have been taken in the right direction and to endorse them and to underline what a difference they have made, but also to say we cannot relax, we cannot back away. Indeed, we have to take even bolder steps, because the pace of change facing us is much greater going forward than it is looking backwards.

Just as Ontario faces this challenge, as our charts will indicate, other jurisdictions have noticed this same challenge. Other jurisdictions have understood and have come to the front of the pack in the race to be competitive in the global economy. You'll see the chart behind me which shows that Ontario has not yet been a leader in this process, that Ontario needs to catch up and accelerate and go by other jurisdictions.

We're here to say please, as a finance committee, advise the Minister of Finance that he must assign the highest possible priority to investing in the future of our young people in our universities and colleges. I hope you will commend to him the specific recommendations we have made in our brief. I hope you will urge him to build on the successes of the last three or four years and get Ontario from a position where we're playing from behind to get Ontario accelerating to a position of leadership not just in Canada but in North America and around the world.

As the province's economy has begun to roar, as we're beginning to experience the fiscal dividends of that tremendous financial success, this is the time to lay the foundations of opportunity for our young people and the future prosperity which we're now enjoying because of the investments that came before.

Mr Chairman, thank you for the opportunity to make that rather personal statement. My colleague Dr Clark will have the last word.

Dr Clark: Just to note the four specific areas that our brief refers to—as I said at the outset, we have presented this as a partnership; we're not coming asking the government to solve all the problems. We have the framework of a plan, as Professor Prichard has noted, and this requires significant action on the part of the universities, and each of the proposals has with it a commitment and an expected result. That is the way we have put forward the framework.

We would be pleased to respond to any questions.

The Chair: We have four minutes per caucus, and I'll start with the government side. Mrs Molinari.

Mrs Molinari: Thank you very much for your presentation. It was certainly very comprehensive. Showing the graphs is a good visual to see exactly where we are and where we need to go in the next few years.

As you have met with the ministry, you're aware of a number of initiatives—and you've highlighted some of them—the government has done for student assistance and to provide for the needs we see coming forward. It's a challenge for any government to balance all the needs within the system with all the requests, within the limited envelope we have to work with. Your expertise—and I know the work you've been doing with the minister and the ministry—is helpful to us as we move forward to make the decisions we need to make that are so necessary.

We had a presentation earlier from another organization, the Ontario Confederation of University Faculty Association. They didn't call it KPI—the key performance indicators—but I think that's what they were referring to. Can you talk a little about how you feel about that inevitability?

Mr Prichard: First, I should say that I commend the brief from OCUFA. I have read all the briefs you have received from the student groups, from the faculty and from ourselves. There are some points of difference on certain policy issues, but fundamentally I think they are all saying the same thing about the need for investment in opportunity to reap dividends for the province.

On the issue of performance indicators, the province's universities have all embraced performance indicators as a way of judging their own contribution, measuring their own success in meeting their missions. The Council of Ontario Universities led an important performance indicators exercise, which has now been taken down into each of the institutions. Most of the universities now publish a significant number of performance indicators about their performance. My institution does, but I say that not to be boastful; it's but representative that we publish annually a significant list of indicators.

In addition the province, in partnership with us, has mandated that we publish certain indicators ourselves every year. The two indicators that we publish are, first, the default rates on OSAP loans and, second, the employment rates of our graduates six months after graduation

and two years after graduation. These are both mandated. They're on our Web sites, and each of us publishes them.

If I can just comment on what we see, first, with respect to default rates, the default rates on student loans are dropping quite sharply. They're down by about a third this year. Even though universities have by far the highest tuition, university default rates are the lowest; public colleges, as a group, are second; and private vocational schools have the highest default rates, on average. So it's interesting to see that despite the tuition, because university graduates do so well, they are handling their student loans better than the graduates of the other two places. As I say, the default rates came down by a third this year, and they are quite low at most institutions.

Second, on employment, the results are extraordinary. The results on employment two years after graduation—again, these are posted on all our Web sites—show that medicine, law and dentistry are all 100%. Two years after graduating, 100% employment. Then it drops all the way down to 96% employment in the case of arts and sciences undergraduates in humanities. The band is from about 96% to 100% two years after graduation. They are extraordinarily powerful figures showing the virtues, as a performance indicator, of the significance of the investment that the student and the public make in this experience.

So we embrace the indicators. We are pleased to participate in that program, and most of us have many more indicators that we publish on an annual basis as well.

1720

Mr Phillips: First, I congratulate you on a terrific job at the U of T. It's one of the most difficult organizations to lead, and you've done a great job. It's very complex, and you leave it a much strengthened operation, with a very good financial resource base as well, if I'm not mistaken.

Mr Prichard: Thank you for that. Coming from you, it means a lot to me.

Mr Phillips: The Premier's job is difficult, but being president of the U of T is probably slightly more difficult.

These are very useful statistics, by the way, indicating that over the next five years enrolment will go from around 240,000 to a little above 300,000, which is quite an enormous increase. I gather that the students now are paying 35% of the cost and other sources 65%. What would be your advice to the committee about what we should be looking at for the next five years in terms of who pays what, and how much you think the provincial government needs to be looking at to maintain a quality education system?

Mr Prichard: Thank you for the question. Our position is as follows. First, the expansion of opportunity that is required cannot happen on the backs of students. We do not think it is possible to imagine that any tuition fee policy can solve this problem. This problem is only going to be solved through significant new public investment.

Second, the universities believe it is fair for the students to pay a fair share, recognizing that that is a

malleable concept and there is room for debate as to exactly what is a fair share. I know of no university president who believes it would be good public policy to have the provincial investment, going forward, at a level any less than the existing level of investment per student. I think it's the case that every university president believes the investment per student needs to go up over current levels in order to not create enormous pressures on the tuition side.

The universities view it as a case where we must have a fair and adequate public investment and then leave it to the individual university and its students, program by program, as to how much the student might be asked to pay. The term we have used is not very elegant term—it's full average cost funding. It must be done with new investments per student that are at least as substantial as they are at present, while trying to find ways to enrich the quality of the experience through specialized envelopes of intervention. We do not wish to associate ourselves with any view that this expansion can be done on the backs of the students alone.

Mr Phillips: Using that kind of benchmark, that would indicate we should be looking at a 25% increase in provincial support for university and college operating expenses over the next four to five years. I think the enrolment is going up about 25%.

Dr Clark: That's absolutely correct.

Mr Phillips: So is it fair to say that the university presidents feel that would be the base requirement?

Mr Prichard: I think you've added the important word. What we've recommended in our work with the government is that we make a base investment to expand places based on the same per student funding we receive at present for the existing students. That would lead to a figure a bit north of where you are, in terms of the exact number. It depends which year we get to, in terms of growth.

Second, we've tried to identify very specific needs where Ontario needs to strengthen its performance and not stand still. We want to strengthen performance. In particular, we want to bring down class size and increase student contact with individual faculty members and give them more individualized attention. We want to strengthen the research and innovation performance of our institutions. These additional goals require investments on top of that base rather than being accomplishable within the base to which you refer.

Mr Christopherson: Thank you for your presentation. Hopefully you will be more successful than we have been at getting the message through about the importance of getting funding where it needs to be for our post-secondary institutions.

To set a context for the comment I'm going to make, I want to refer to a brief that was presented within the last couple of hours from the Toronto Board of Trade. In their brief they say, "The province must first"—this is their top priority—"commit a substantial amount of potential budget surpluses to debt reduction, then tax cuts, and then only once these areas are competitive internation-

ally, program growth." Earlier, they make the statement that no increase in program spending needs to be above 3% annually. So I leave that contextually. When you presented this, that's pretty terrifying. That ought to tell the message. Most of these jurisdictions are close to our borders, so they are our trading partners. That's who we compete with. It's also the home country of the economic boom that's driving the economic boom that we are enjoying. Not one of these is in deficit. In fact, they're way out in front in terms of the money they are spending. And there's Ontario at minus 8%.

Would you, just in your own words, to help nail down the message, state why it makes not just good social planning sense but economic sense to make these investments, so that those who are coming in and saying, "Spending anywhere is not as important as cutting taxes more or paying off the debt quicker"—because that's their message. They are keeping it very straight, and this government listens to that. We've got to get a message through that economically we can't afford not to be investing in other key areas of our economy, and the university system is one of them. McMaster University is in my new riding of Hamilton West. Help us get that message through. In your own words, please tell the government members why there's an economic argument to this, why it's not just some kind of fluff program where we should only spend someday down the road when we've got enough bucks floating around doing nothing else.

Mr Prichard: I believe it is the case that there is no investment any jurisdiction can make that has a higher rate of return in terms of economic benefit in the economy of the 21st century than investing in human capital. Second, I think it's clearly the case that Ontario's investments in human capital have lagged behind our investments in other aspects of our social and cultural infrastructure, and that we need to repair that situation. Third, I believe it's the case, and there's abundant evidence, that the specific new investments that have been made in Ontario over the last three years have paid dramatic and virtually immediate dividends. We have doubled enrolment in computer science, electrical engineering and computer engineering across the province. That is moving faster than any other jurisdiction I know in North America. Of the 60 jurisdictions, we, I believe, in Ontario have moved the fastest and the farthest because of that investment.

The Ontario challenge fund is at the cutting edge of the kinds of partnerships that can be created between government, universities and the private sector. It's paying immediate and substantial dividends and will continue to do so. The Ontario student opportunity trust fund, an investment where the province's money was doubled literally in the course of the year of endowment for student aid—these initiatives and investments show immediate and powerful dividends. Our problem and the province's challenge is how to deal, not looking backwards but looking forwards, with another 90,000 students about to arrive, each wanting that opportunity, and with

our competitor jurisdictions taking advantage of their strengthening financial situation to lay the foundations for their next century of success. Ontario can't look at itself and be complacent. Ontario has to look at the competition.

The Munroe-Blum report that was done looked at the competition, at the government's invitation looked at Michigan and compared. We must move much faster if we're going to keep pace with the state of Michigan, which is right across the border. That's not a criticism of the past. I'm trying to endorse the initiatives that have been made, because they've made a powerful difference. But I'm saying we cannot be complacent. We must make these investments. We must make them now. Whatever the Board of Trade's brief might have said, I believe the case that I'm making to you today is not a case from university presidents; that same case is made to me over and over by leaders in the private sector and leaders in the public sector. Leaders in the public and private sectors around the world are taking this message to their governments. I fear that if we don't embrace this case, we will find ourselves falling behind. Our ambition as a province is to be the best place to work, live and raise a family. An essential element of that capacity will be investments of the kind that are described in our brief.

1730

The Chair: On that positive note, we've run out of time. Gentlemen, on behalf of the committee, thank you very much for your presentation this afternoon.

ALLIANCE OF MANUFACTURERS AND EXPORTERS CANADA, ONTARIO DIVISION

The Chair: Our next presentation this afternoon is from the Alliance of Manufacturers and Exporters Canada. Welcome. Could you please come forward and state your name for the record. You have 30 minutes.

Mr Ian Howcroft: Good afternoon, Mr Chair and members of the committee. First, I'd like to say thank you very much for the opportunity to present this afternoon. We appreciate that. My name is Ian Howcroft, vice-president of the Ontario division of the Alliance of Manufacturers and Exporters Canada. With me are Joanne McGovern, our director of taxation at the alliance, and John Allinotte, director of corporate taxation at Dofasco, one of our member companies. John is also a member of the Ontario division board of directors and chair of the Ontario taxation committee.

The alliance was created almost four years ago with the merger of the Canadian Manufacturers' Association and the Canadian Exporters' Association. We're a voluntary association with thousands of members across the province and across the country. Our membership is composed of companies of all sizes and from all sectors of manufacturing. Over one million individuals are employed directly by manufacturers and exporters, and another two million people's jobs are dependent on the manufacturing sector. It's also important to note that the

members of the alliance produce approximately 75% of Ontario's and Canada's manufactured output. Our members are also responsible for approximately 90% of the province's and the country's exports. It may sound trite, but it's true: The manufacturing sector is the engine of the economy.

What we're going to present today in our brief are 13 recommendations that basically fall into three categories. The first are three general ones. Secondly, we have five that are targeted tax reform recommendations. Finally, we have five that are administrative tax recommendations.

I will turn to the experts that I have with me this afternoon, Joanne McGovern and John Allinotte. Joanne will be taking us through the general recommendations.

Ms Joanne McGovern: The general recommendations that the alliance has put forward are, first of all, to commend the government for balancing last year's budget and also for introducing Bill 7, the act to balance the budget. We encourage the government to continue to balance the budget, including the upcoming 2000 budget being introduced this spring.

We also commend the government in paying down the deficit and encourage continued paying down of the deficit and to start to also pay down the debt.

Thirdly, we'd like to make a point that we also support the recommendations in the strategic skills initiative contained in last year's budget and wish to extend our support for more support in this area, including an industrial training tax credit.

I will now pass it on to John Allinotte, who will detail the targeted tax reductions.

Mr John Allinotte: I noticed on the list that we're the last. I used to teach tax in university too, and I used to get a class in the afternoon, so I'll try not to bore you with a lot of detail.

I was interested in the presenter who preceded us, talking about the need to invest in education, in our young people and the capital assets. From our vantage point, the members of the alliance feel that investment is certainly necessary. However, we have to ensure that we have someplace to put these people to work. Right now, we don't. We're seeing an awful lot of our people going. I read an article from Mr Manning this morning that isn't talking about personal income tax rates causing the brain drain; it's the high rate of corporate tax.

So one of our recommendations to you is to take a look, now that we are on the surplus side of the balance sheet, and possibly consider reducing the corporate income tax rate in the province of Ontario, remembering that our competitor is not just south of the border; it is in the world.

The next item on the list of recommendations goes to the capital recovery system. As you all can appreciate, the manufacturers in the province of Ontario spend billions of dollars in hard assets that we lay in the ground, and to pay for them we need cash flow. One of the things that was in the system in prior years was the current cost adjustment, and we would recommend that

you consider re-implementing that. That was repealed by the previous Ontario government. Alternatively, going back to the accelerated write-off on manufacturing equipment, this was introduced in 1972 and I can speak for the steel industry that between 1972 and the early 1980s, there was almost \$5 billion worth of capital assets put into this province solely because of that initiative.

The other initiative that we strongly suggest you consider is the abolishing of the corporate minimum tax. Again, this was introduced by the previous government. It was more of a nuisance tax than anything else, but it is perceived by possible investors as something they would shy away from, coming into Ontario. We understand that with the high rate of the economy and the high amount of taxes now being paid by corporations, very little is being collected out of the corporate minimum tax, so again we suggest that it be repealed.

The fourth item is the abolishing of the capital tax. Like the minimum tax, we find it to be a nuisance. It's directly targeted to the manufacturing group that is required to invest large amounts of capital into our plants. If an abolishment of it can't be done, one of the recommendations is that we at least consider using the capital tax as an offset to the regular income taxes.

Fifth, we certainly commend the government for the initiatives they have made in the area of reducing personal income taxes. It is certainly something that we encourage you to continue to do. It directly affects the costs of manufacturing to the extent that the take-home pay is higher. Because of a lower withholding tax at source, employees have a bigger spending power.

One of the administrative issues that we would bring forward to you today, one that the alliance has come here on many occasions for, and I've accompanied them on most of them, is to suggest the harmonization of sales tax. We certainly encourage the Ontario government to take the lead in this initiative with the federal government and the other provinces which have not harmonized.

Municipal property taxes under this government: We were certainly encouraged by the introduction of the CVA program. I myself saw that come on board in 1970. That's when the legislation originally was introduced to bring it forward, and each year it was deferred. The current value assessment program is something that we encouraged. However, what happened was not unknown to everyone. There would be a shift in taxation, and it caused a burden on many people. Unfortunately, you had to introduce capping. We would certainly suggest that some of the basic principles—that Ontario go back and review it. We think the system is good, but keep it simple and competitive and predictable.

The super allowance modification is a proposal that is solely from an administrative standpoint. Even the complexities that are involved in calculating it are found by tax administrators such as myself and the people in the treasury department who have to administer it on behalf of the government to be a very difficult allowance to audit, and we find from an administration standpoint it's difficult. We suggest that a single rate allowance be

implemented with no incremental so that we don't have to go back two or three years after an adjustment has been made, and we certainly would recommend that you consider it.

1740

Implementation of the stock option credits in the 1999 Ontario budget: The government proposed the development of a framework for a new Ontario tax credit that would substantially reduce or eliminate Ontario personal income tax arising from the exercise or disposition of stock options. We understand that this plan has not been put forward yet. We strongly recommend that you move on that as quickly as possible.

The last item is with regard to the application of provincial sales tax on software. This is, again, more of a nuisance situation than anything else. It adds to the cost—innovation, computerization—the technology is something that the manufacturing community in the province of Ontario desperately needs. By adding sales tax to it, it adds to our bottom cost; it adds to the cost of our product going out the front door. We would again recommend to you that you consider removing the tax on software.

Thank you. If there are any questions, we'd be more than happy to answer them.

Mr Howcroft: I'd just like to add that there's only so much that any group can do in half an hour of time. We have provided some supporting documentation with these recommendations, but I'd also like to extend the offer to any member of the committee. We have two very active standing committees, one dealing with taxation at the national level and one dealing at the Ontario level. We'd like to make the invitation to any member of this committee or any MPP to come out and meet with us. We can discuss these in a more fulsome environment and address all the concerns, again recognizing that there's only so much time and opportunity that exist in a half-hour presentation. I just wanted to make that offer.

The Chair: Good point. Thank you very much. We have five minutes per caucus. I'll start with the official opposition.

Mr Kwinter: Gentlemen, I want to tell you I've been waiting two weeks for you to appear. The reason is quite simple. I was travelling the first day of these hearings and I wasn't here for the Treasurer's remarks to this committee, but I did get a copy of them and I want to quote something that he said. I'd like to get your reaction to it.

This is a direct quote from his speech to this committee: "While exports are critically important to the Ontario economy, some analysts have mistakenly concluded that all of Ontario's economic growth has been due to export growth and thus the tax cuts have not had any effect. However, when net exports—that's exports minus imports—are examined, it becomes clear that external trade has been responsible for only about 20% of Ontario's economic growth over the last four years." Do you have any response to that? Do you agree with it, first of all?

Mr Howcroft: I think I'd like to see the full speech and put it into proper context.

Mr Kwinter: There's nothing before that or anything after that has anything to do with trade.

Mr Howcroft: Our view is that exports are extremely important. We have two economies in Canada. We've seen a lot more growth in the export economy than we have in the domestic economy. Probably most of the numbers that we have deal with Canada, as opposed to just dealing with Ontario, but I think they'd be quite similar. Our view is that exports have been extremely important to the economic revival of Ontario and Canada. Again, without getting into the details of the full speech, I can't offer too much in commentary on that.

Mr Kwinter: OK, can I ask you this question. The implication of that is that an import dollar to the gross domestic product is equal to an export dollar to the gross domestic product. Do you agree with that?

Mr Howcroft: John, do you want to handle that one?

Mr Allinotte: I'm not an economist, but that is not what has happened in the last five to seven years relative to the steel industry. Our exports have gone up, and we contribute our success to our export markets. Comparing export dollars to import dollars as being equal—from a capital investment standpoint, new capital investment in Canada, and I can't speak for just Ontario, has gone down considerably. The US capital investment has to be 30% higher than in Canada. Consequently, to the extent that we don't have new capital investment in Canada, we don't have that growth in our own domestic economy. It's because of the exports.

Mr Kwinter: Also, the other point is that most imports that come into Canada, not all but most of them, are finished goods.

Mr Allinotte: Heavens, yes.

Mr Kwinter: By far. What happens is that those finished goods come in and they get sold. The only value-added you get is whatever the markup is on what you sell. When you have export dollars, those are products that have been manufactured, so you get all the benefits throughout the whole chain, which is really what drives this economy. To suggest that imports are as valuable to the economy as exports is ludicrous. It defies description that a Treasurer of Ontario would make that statement, and I only regret I wasn't here to call him on it. What he what is in fact saying is that when you take the imports and the exports, exports only contribute 20% to the economic activity in Ontario. When you consider that Ontario's exports constitute about 52% of the gross domestic product of this province, it defies belief that anyone would make that statement.

You people are in that business. This is your territory. To suggest that what you do in the manufacturing and export business is just equal to what happens to people who import products that are made in Japan or elsewhere, as I say, defies belief. I just wanted to get your reaction to that.

Mr Howcroft: We just reaffirm that exports are extremely important. That's been the root of our success over the last several years. We're the Alliance of Manu-

facturers and Exporters, not the alliance of manufacturers, exporters and importers, so I think we'll just leave it at that.

Mr Christopherson: Thank you for your presentation. A special welcome to John out of the steel city.

I'm curious, and I realize you may not have the figure at your fingertips, but what percentage of the total exporting that your part of the economy does do you think goes into the North American auto industry?

Mr Howcroft: I'm sorry, I don't have that figure specifically; 87% of our exports go to the United States, and I'd say the lion's share of that would be related to the auto industry, but I don't have the specific number with me.

Mr Christopherson: Here's the essence of my question. We're in the biggest boom right now that we've seen in the history of North America. It is still defying gravity and will go on, who knows how long? At some point it will drop to some degree, but while it's going well now and things are fine on the corporate side of things—the finance minister trotted out what all finance ministers from every political stripe do when they're making these presentations and showing how wonderful everything is, and the numbers look good.

At the same time—and you've heard some of it today—we are getting a lot of other people rolling in and saying, "But the price of this, in terms of the Harris approach, with the tax cut being done first and foremost over everything else, is leaving us with a real crisis in education and health care." Health care, of course, is a key competitive advantage for us in the auto industry, and by extension, therefore, those that provide parts and supplies into the auto industry and everything else—environmental protection, our social services—all of this is at risk.

When the downturn comes, as it will, and it will affect autos probably fairly quickly—it's usually one of the most sensitive to the overall macroeconomy. When that drops and your work diminishes, as it will for a short while, overall, where is this going to leave us in terms of these key components? I argue they're not just part of our social fabric. They are part of our economic fabric, again, health being the example there is. If we aren't tending to these things now, during the boom times, where are we going to be when we get into the recession? As a society and as an important economic unit in the world—Ontario's economy is a player—where are we going to be with all these crucial foundations that make up our economic and social system, if they are crumbling during the good times and we get into the bad times, and what will that mean for our ability to take advantage of the recovery at the other end of the cycle when indeed that takes place?

1750

Mr Howcroft: I think you're right that eventually this boom will come to an end and we will be dealing with a downturn in the economy, and we'll have to deal with that. It's more prudent now, on the positive side, to get the deficit down, to deal with the debt, so that when the

economy does go down we don't start increasing the deficit, increasing the debt, as happened 10 years ago, which put us into a difficult predicament.

What we would like to see is a structured approach, which we've been supportive of over the last four to six years, to deal with the deficit, to deal with the debt, and also to create the wealth that will allow us to have the social programs. Health is extremely important, to me personally and to all residents of Ontario. It's also important to the manufacturing sector. As you pointed out, it is a competitive advantage for companies locating here and keeping their businesses here as opposed to other jurisdictions in North American and the world. We want to see that advantage maintained here.

We also have concerns about the education system. We need a quality education system that produces the workers who are going to be able to help the economy in the future. So we feel that we can do that, but the priority has to be getting the deficit down, which has been taken care of, and now we have to start dealing with the debt. It also doesn't stop us from restructuring the health care to take into account the problems we're experiencing—we recognize there are problems and there have to be some changes made—and also to improve the education system.

We're working with several of the colleges and institutions of higher learning to develop courses and to work on novel and innovative ways to ensure that we have a workforce and that the quality of education continues to improve, recognizing there have been some problems.

I think you've made some good points. I think we would just differ on the way we would deal with them, the solutions that we would proffer or offer up.

Mr Arnott: Just very briefly, because Dr Galt has some questions too, I want to thank you very much for your presentation. You've given us some excellent suggestions, as you always do.

You've encouraged us to recommend to the minister that the corporate minimum tax be abolished, and you've suggested that wouldn't cost very much money. I recall the New Democrats bringing in the corporate minimum tax. To me it's a no-brainer. If it's a disincentive to investment, it's discouraging job-creating investment and it's not really netting any substantial revenue to the provincial government, we should be doing something in that regard.

The capital tax is a different matter. I know we have made some changes to the capital tax, which, as you pointed out correctly, is a profit-insensitive tax, which means companies have to pay whether or not they're making money, and it is a real disincentive to investment. How much would that cost the treasury if we were to abolish the capital tax in the next year? Any idea?

Mr Howcroft: I don't have that number with me. I'm sorry. Joanne, I don't know if you have that.

Ms McGovern: I don't have that figure, but we can do some research.

Mr Arnott: I'm sure the Ministry of Finance people could get that for us too, but certainly that's a consideration. I know there have been some changes to the capital tax in the last year to reduce its impact on quite a number of businesses. I suppose we should be continuing to look at—

Mr Allinotte: Yes, but the nature of the changes were more on the administrative side relative to the quantum of the taxation of it. And you're correct; abolishing any tax will take funds from the treasury initially.

Mr Arnott: In the short term.

Mr Allinotte: One of the things we have to keep in mind is our competitiveness. Taxing capital, taxing the investor you want in your province, is not the way you encourage them. We have a plant in Kentucky where we make steel, the same type of steel that we make in Hamilton. We don't pay any capital tax.

Mr Galt: If I can just make a couple of comments, I think you're number 120 in presentations to this committee, and the last, but certainly a great presentation. I'd like to extend my apologies to you on behalf of the government for the kind of fiscal policy that's been around from 1985 to 1995. I'm sure you'd appreciate that.

What I'd really like to ask you about is the taxes that you're suggesting be cut or reduced, as to how it would relate to jobs. As you've heard from the opposition, we need the money for the various programs, particularly health care. We're not in the business of giving back money, but if the tax was cut, do you have any idea how many jobs would be created? As you said a moment ago, there's that first lull, and that wouldn't be too surprising. You put it very capably. Do you have any feeling on the number of jobs, as you look at items 4, 5, 6, 7 and 8, that would be created if we carried out any one of these, or all of them? Do you have any feeling? Have you had an economist run it through? That's the selling point to the Minister of Finance and to this government.

Mr Howcroft: Again, it's difficult to cover all that in a half-hour presentation, but I will undertake to provide you with a study that we commissioned a couple of years ago that looks at making \$100-million reductions in a variety of areas and what the impact would be on investment, on job creation, on several other criteria that were set out. That would give an idea as to where you can get the biggest bang for the tax reduction or investments. It was a study that we had done, again, looking at Canada as a whole, but you can use that for a model in Ontario as well. So I will provide that to the Chair of the committee for distribution. That would cover some of that in a little more detail than we can do in a minute and a half. Not being a tax expert, I'd rather take that than attempt to do it here.

Mr Galt: Anything along those job creation lines, because once the jobs are created, you're going to stimulate revenue, as we found out. We get criticized with the personal income tax about losing \$5 billion, according to the opposition; then you see the revenue coming in of another \$10 billion. So they only made a mistake of \$15 billion. It's just tremendous to see the

resurgence in the revenue that's come in, not all because of the tax cuts; we recognize the exports. We also recognize what happened in the early 1990s in job creation and what's happened in the second half of that decade.

Anyway, thank you very much.

The Chair: With that comment, Mr Galt, we've run out of time. On behalf of the committee, thank you very much for your presentation this afternoon.

The research officer will provide us with the draft copy of the report by March 1. The committee will meet March 6 through 9 to discuss the report.

At this point in time, before we adjourn, I'd like to thank the members for your co-operation and your punctuality. This committee is now adjourned.

The committee adjourned at 1757.

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Chair / Président

Mr Marcel Beaubien (Lambton-Kent-Middlesex PC)

Vice-Chair / Vice-Président

Mr Doug Galt (Northumberland PC)

Mr Ted Arnott (Waterloo-Wellington PC)

Mr Marcel Beaubien (Lambton-Kent-Middlesex PC)

Mr David Christopherson (Hamilton West / -Ouest ND)

Mr Doug Galt (Northumberland PC)

Mr Monte Kwinter (York Centre / -Centre L)

Mrs Tina R. Molinari (Thornhill PC)

Mr Gerry Phillips (Scarborough-Agincourt L)

Also taking part / Autres participants et participantes

Mrs Sandra Pupatello (Windsor West / -Ouest L)

Clerk / Greffière / Greffier

Ms Susan Sourial

Mr Tom Prins

Staff / Personnel

Ms Elaine Campbell, research officer,

Mr David Rampersad, research officer,

Research and Information Services

CONTENTS

Wednesday 16 February 2000

Pre-budget consultations	F-497
Canadian Federation of Independent Business	F-497
Ms Judith Andrew	
Mr Brien Gray	
Ontario Hospital Association	F-501
Mr David MacKinnon	
Mr Murray MacKenzie	
Retail Council of Canada	F-506
Mr Peter Woolford	
Mr Brian Rudderham	
Ontario Federation of Labour	F-510
Mr Wayne Samuelson	
Mr Ross McClellan	
Canadian Taxpayers Federation	F-515
Mr Walter Robinson	
Ontario Confederation of University Faculty Associations	F-520
Dr Deborah Flynn	
Greater Toronto Hotel Association	F-524
Mr Rod Seiling	
Ontario Association of Interval and Transition Houses	F-530
Ms Eileen Morrow	
Ms Corinne McCordick	
Ontario Real Estate Association	F-534
Mr Ron Merkley	
Mr James Flood	
Mr Von Palmer	
Aggregate Producers' Association of Ontario	F-537
Ms Carol Hochu	
Mr Ian Duff	
Mr Robert Albrough	
Registered Nurses Association of Ontario	F-541
Ms Jacqueline Choiniere	
Mr Kim Jarvi	
Toronto Board of Trade	F-545
Ms Terri Lohnes	
Ms Louise Verity	
Council of Ontario Universities	F-549
Dr Ian Clark	
Mr Robert Prichard	
Alliance of Manufacturers and Exporters Canada, Ontario division	F-554
Mr Ian Howcroft	
Ms Joanne McGovern	
Mr John Allinotte	



Legislative Assembly of Ontario

First Session, 37th Parliament

Assemblée législative de l'Ontario

Première session, 37^e législature

Official Report of Debates (Hansard)

Monday 6 March 2000

Journal des débats (Hansard)

Lundi 6 mars 2000

Standing committee on finance and economic affairs

Pre-budget consultations

Comité permanent des finances et des affaires économiques

Consultations prébudgétaires



Chair: Marcel Beaubien
Clerk: Tom Prins

Président : Marcel Beaubien
Greffier : Tom Prins

Hansard on the Internet

Hansard and other documents of the Legislative Assembly can be on your personal computer within hours after each sitting. The address is:

<http://www.ontla.on.ca/>

Index inquiries

Reference to a cumulative index of previous issues may be obtained by calling the Hansard Reporting Service indexing staff at 416-325-7410 or 325-3708.

Copies of Hansard

Information regarding purchase of copies of Hansard may be obtained from Publications Ontario, Management Board Secretariat, 50 Grosvenor Street, Toronto, Ontario, M7A 1N8. Phone 416-326-5310, 326-5311 or toll-free 1-800-668-9938.

Le Journal des débats sur Internet

L'adresse pour faire paraître sur votre ordinateur personnel le Journal et d'autres documents de l'Assemblée législative en quelques heures seulement après la séance est :

Renseignements sur l'index

Adressez vos questions portant sur des numéros précédents du Journal des débats au personnel de l'index, qui vous fourniront des références aux pages dans l'index cumulatif, en composant le 416-325-7410 ou le 325-3708.

Exemplaires du Journal

Pour des exemplaires, veuillez prendre contact avec Publications Ontario, Secrétariat du Conseil de gestion, 50 rue Grosvenor, Toronto (Ontario) M7A 1N8. Par téléphone : 416-326-5310, 326-5311, ou sans frais : 1-800-668-9938.



LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
FINANCE AND ECONOMIC AFFAIRSCOMITÉ PERMANENT DES FINANCES
ET DES AFFAIRES ÉCONOMIQUES

Monday 6 March 2000

Lundi 6 mars 2000

The committee met at 1006 in room 228.

PRE-BUDGET CONSULTATIONS

The Chair (Mr Marcel Beaubien): Good morning. It's after 10. I'll bring the meeting to order this morning.

First of all, there are a couple of items that I would like to bring to your attention. Under standing order 106(d), the standing committee on finance and economic affairs is empowered to consider and report to the House its observations, opinions and recommendations on the fiscal and economic policies of the province. As a result of this standing order, the committee must table all committee reports before the report can be distributed elsewhere. If a report is distributed before it is tabled in the House, a point of privilege could be raised. Basically, what this stipulates is that even though the committee decides to hold its discussions in an open session, the report remains confidential until it is tabled. That brings us to the next point. What is the wish of the committee? Do we wish to have our discussion in an open session as opposed to a closed session?

Mr Ted Arnott (Waterloo-Wellington): I move that we maintain our open session process.

The Chair: Any discussion on that? If not, all those in favour? That's carried. I would also like to point out to the committee—

Mr Gerry Phillips (Scarborough-Agincourt): Let the media in.

The Chair: Are they banging on the door?

I would also like to make the committee members aware that any changes, when we're dealing with directions to the researchers, are not motions; therefore, they do not need to be voted upon.

With regard to dissenting opinions again, I'd like to have the committee's opinion on this. I'd like to know when we should have dissenting opinions prior to doing the final report. In other words, we need a time frame here. Is it two days after we're done with the report or three days? How do you wish to proceed with this, for any dissenting opinions?

Mr Phillips: Just in case there is one—

Mr David Young (Willowdale): In the unlikely event.

Mr Phillips: I want to cover the bases.

The only challenge for some is that next week is spring break. I don't know whether we've set a time

when we wanted to finalize this or not, but if it were possible, my own preference would be not to submit until the Tuesday after the spring break, which would be two weeks from tomorrow. If that's a major problem—the House comes back on April 3, and I guess we wouldn't table this—I guess we send it to the Minister of Finance ahead, don't we?

The Chair: The researcher has pointed out to me, and that's quite correct, that the dissenting report is just added as an appendix to the final report itself. I imagine that if we did receive it within two weeks from now, or from tomorrow, it would be more than adequate.

I'm told that this might slow down the process for translating the report. It's up to the committee; it's not up to me to decide.

Ms Marilyn Mushinski (Scarborough Centre): I take it it's not debated.

The Chair: No. It's just added as an appendix, or just added to the final report. However, the report has to be translated into French.

Mr Arnott: Is there anything in the report of the subcommittee which has given us an absolute deadline?

The Chair: No. We didn't discuss that in the subcommittee at all.

Mr Arnott: If this process is to be meaningful, we want to get the recommendations to the Minister of Finance before he prepares his budget, obviously, and before it's in its final preparation stage. So the sooner we could get it in to the minister, in theory, the better.

The Chair: The House comes back April 3. What is the date two weeks from Tuesday? Does anybody have a calendar?

Mr Arnott: The 21st.

Mr Phillips: The only thing I'd say is that I think there will be revisions in this report that the staff will redo and issue an updated report. It won't be just any dissenting reports. I think each of the committee members will want to review the final report. In the past, I think what's happened is, rather than meet again to deal with it, we've delegated it to the subcommittee to deal with it. One step will be, after we finish our deliberations this week, the staff will go away and write up the final report and then each of the committee members will want to get that and review it. Then we have to confirm the final report as well. I have a suspicion that it's going to be at least next week anyway before the staff finish the report. The final report is prepared, I guess, next week,

and any dissenting reports and final comments are done two weeks from tomorrow. I also think, Mr Chair, that you'll want to be in a meeting of the subcommittee to get any final comments on the final report. At least that's what has been done in the past, sometimes by phone.

The Chair: Are you willing to make a motion?

Mr Phillips: Let me suggest to the committee that after the deliberations this week the staff prepare the final report for distribution, hopefully by next Wednesday, and that any dissenting reports and comments on the final report be communicated to the Chair by the close of business two weeks from tomorrow.

The Chair: Which is March 21.

Mr Phillips: If that's what it is, yes.

Mr Arnott: Could I just speak to this point. Gerry. I'm not sure if I fully know what you're getting at, but it would seem to me that the final report would include the recommendations of the committee.

Mr Phillips: Yes.

Mr Arnott: Assuming that we have a unanimous report, there would be unanimous recommendations. If that's not the case, there would be a majority report, representing the majority opinion. Perhaps there will be dissenting opinions from the opposition parties, but that would form part of the body of the final report, would it not?

Mr Phillips: In the past what's happened is there's a final report issued. The dissenting reports are submitted to the Chair, and anybody else who wants them can look at them, but they tend not to be revised after they're submitted.

The Chair: No. After they're submitted, it's my understanding they're strictly an appendix to the final report itself.

Mr Arnott: But they form part of the body of the final report?

The Chair: Yes. It would be attached.

Mr Arnott: My understanding of the process for this week would be to go through the draft report that our research officers prepared, discuss it, see if there are any points of clarification that we feel are required, and at the end of that process we would—

The Chair: You're quite right, Mr Arnott. The only reason I brought it up is that I just wanted to clear the air, to make sure that we had covered as many of the bases as we possibly could. I don't want to hear on Wednesday or whenever we're done with this report, "When do we file the dissenting reports?" I want to put it at home plate right now so that we're clear as to when they have to be submitted, and if there is no disagreement, Mr Phillips has suggested March 21, that the dissenting opinions be filed with the Chair. Is that satisfactory?

Mr Arnott: Then what happens—

The Chair: In the meantime, we're still going to work on the report. Hopefully, we'll have the report done by 2 o'clock today.

Mr Phillips: Ted, I think then it's all finished. By close of business, there is a subcommittee meeting held, maybe by phone, where the Chair says, "Are there any

errors in the report?" We can't change the content of the report, but I have a feeling that will be the final version of it, and then, if there is a minority report by the Liberals and the NDP, both of them are submitted for inclusion in the report. That puts the final stamp on it.

The Chair: OK? We'll open the floor for discussion on the draft report.

Mr Arnott: I have a preliminary comment to make. First of all, I want to compliment the research officer on the job he has done putting together a summary of what we heard over the two-and-a-half-week period. There were obviously quite a number of presentations over quite a number of days. He has done a fine job of summarizing them.

There are a number of areas in the report—and I would reference most specifically page 7—where it appears that there was a subjective opinion made by a presenter which is presented as objective fact. I thought it might be helpful to go through the report and indicate where that has taken place; if somebody has expressed an opinion, that the person or group that has expressed that opinion be indicated directly in association with the so-called fact that has been presented. That's just one area. On page 7, in the transportation section, it says, "In the past, too many provincial transportation projects have not taken into account the bigger picture and have allowed extraneous factors to influence their design." I would argue that is a subjective opinion and somebody needs to associate their name with it, whoever made that point at the committee. I was wondering if I could ask, as an overall comment, that that be undertaken.

The Chair: Is that the only general comment you wish to make, Mr Arnott?

Mr Arnott: That's the only general comment, but I have specific comments relating to points as we go through.

The Chair: Discussing this with the researcher, he pointed out that many presenters made subjective comments. Maybe as we go page by page you should raise that particular issue and then we can incorporate that. Is that OK?

Mr Arnott: I could attempt to do that, yes. In some cases, it may very well be fair to say, "Many presenters made this point," but if we don't have some qualification it appears to be an absolute fact, some of us might argue that it's a subjective opinion.

The Chair: Then we can always refer to the back page and classify the comments as to the person in the appendix.

Mr Young: We might want to spend a brief moment addressing whether we want to do it by way of footnotes as to who made the particular comments or whether you want to actually include in the body of the text the name of the individual and the location. I think there should be some clarity as to how you're going to approach this so that it doesn't jump back and forth. There are some instances in here where there is reference to the fact that "submissions were made by" or a comment was made,

and there are others where it's simply factual. There should be some uniformity in the way the report reads.

The Chair: We did discuss this at the subcommittee, and I discussed it with the researchers, that we wanted to maintain a brief report. We didn't want a lengthy report. If there is any specific issue where we have to refer to some of the presenters, we could always incorporate a number in the report itself that identifies the presenter at the back, as opposed to saying, "Ten presenters represented the chamber of commerce in Ontario." If it deals specifically with one presenter, I think we can identify the presenter in that manner. I don't think that would be too difficult.

1020

Mr Young: I'd be content with proceeding in that manner. It makes sense.

Mr Arnott: That satisfies the concern I tried to express.

The Chair: Mr Phillips, is that satisfactory?

Mr Phillips: Yes. I just say as notice that there are some things in here that the government states as fact which I don't necessarily agree with as fact, but I think we can take that as given. It states on the first page, "Nearly 50% of the total growth since mid-1995 has been due to increased consumer spending." I would have a different view of that.

The Chair: That was a statement made by the Minister of Finance.

Mr Phillips: I realize that. I accept that they may view that as fact. I don't view it as fact, but I'm not going to want a footnote on all of those things.

The Chair: Do we want to go back and start with page 1 and go through the report page by page? Again, Mr Arnott, do you have any comments? We'll go back and forth.

Mr Arnott: Starting with page 1, in the section entitled "The Economy: Economic Outlook," there is the statement, "GDP for 1999 as a whole was 5%" I'd like to see that changed to, "GDP for 1999 as a whole is estimated to be 5%," because I don't think the final numbers are yet in.

The Chair: You're suggesting that the words "is estimated to be" be incorporated.

Mr Arnott: Yes. "GDP for 1999 as a whole is estimated to be 5%."

The Chair: Anything else?

Mr Phillips: I was distracted. What was that? Sorry.

The Chair: On page 1 under "Economic Outlook," Mr Arnott suggested that "GDP for 1999 as a whole was 5%" be changed to "GDP for 1999 as a whole is estimated to be 5%."

Mr Phillips: Good.

Mr David Christopherson (Hamilton West): Chair, sorry for my lateness.

First off, I wanted to thank staff. I'm sure that has been done by others, but I thought they did an excellent job of trying to walk that incredible tightrope that offering up this draft would be. If you think about the reality of what they're dealing with, you can appreciate

how difficult it is. I thought they did an excellent job of trying to ensure that it was balanced in terms of all the perspectives that were brought.

I guess it's more a process question than anything. The reality of this is that the government at the end of the day is going to get the report they want. It's that way now, it was that way under our government and it was that way under the Liberals. That's just the way this works. Given that we're dealing with economics, which tends to be a major departure point for us and, I would think, also for the official opposition, I'm just wondering about the fruitfulness of spending time on the draft trying to revise it or find agreement when at the end of the day on virtually every point that matters economically we'll probably have a very strong difference of opinion.

I was going to suggest that we may want to talk about this report in terms of its accuracy, if there's any point that we disagree with from a factual perspective. Then we could have a general discussion. Again I offer this up and I know it's going in the Hansard, but there's not exactly a whole crowd watching what's going on. We're not in the Amethyst Room. I wanted to suggest that at some point fairly soon we might want to recognize that we could recess the committee and allow each of the caucuses to submit their report, make their arguments, take the vote and then we've wrapped it up.

The part of working together was to give people the opportunity to have their hearings. We've done that. I thought you did an excellent job, by the way, even though you and I clashed a couple of times. I just want to say now that I thought you did an outstanding job of being fair to all the parties involved as well as to the public. I think we've achieved that working together about as much as we can, and now the rubber's going to hit the road. I'm just raising for a point of discussion with you—and maybe it would have been wise to have a subcommittee meeting beforehand, I don't know—the reality versus where we seem to be going here and how much time we want to spend arguing something that at the end of the day the government's going to accept or reject, and then we're going to issue our minority reports.

I just offer that up by way of suggesting we need to talk about this and where we're going. We're certainly not going to use up all the time that's there, I wouldn't think.

The Chair: You make a very good point, and we touched on it briefly prior to your being here. Your point is very well taken, that we thought we'd go through the report page by page quickly to make sure we can live, basically, with the information that is in the draft report; that if there are any blatant mistakes or misquotes or whatever, we can deal with them immediately. Then we talked about submitting the dissenting views or dissenting reports, when they have to be filed. Hopefully, it won't take the whole day to do this, as far as I'm concerned, and then each party could submit their own report.

Going through the report, like I said, I mentioned tongue-in-cheek that at 2 o'clock this afternoon we

probably should be done, but hopefully we can do it all this morning. That's why we just started to go page by page. As Mr Arnott pointed out, the first issue that he wants to deal with is that as opposed to saying, "As a whole was 5%," it should say, "It is estimated to be 5%," because basically we're just potentially correcting some of the comments that some of the presenters have made. Is that OK?

Mr Christopherson: Yes. Again I would suggest and my opinion is that we don't want to spend a whole lot of time other than factual correctness or not, merely because it's in the record, but once we have the document the government wants, I mean, that's going to be the majority committee position and this will disappear after that.

Mr Arnott: I don't disagree with what you're saying, and I hope we can go through these points relatively quickly. My issues are primarily points of clarification that I want, minor wording changes, that's all. We may be done here before Thursday.

The Chair: That was the first point raised by Mr Arnott. So, any comments?

Mr Arnott: I have a second point relative to that same paragraph. The report says, "It is estimated that GDP growth for the year 2000 could range between 3.7% and 4%." I would like to change that to—again, a point of clarification—"Based on private sector forecasts at the time, it is estimated that GDP growth for the year 2000 could range between 3.7% and 4%."

Mr Christopherson: Is that to suggest that the government disagrees with that in terms of the emphasis of private forecasts?

Mr Arnott: No. I think we established early on that the government did not provide the forecast.

Mr Phillips: They gave us nothing.

Mr Christopherson: I know.

Interjections.

Mr Arnott: We had quite a number of private sector forecasters, though, who gave us their best guess. The government has not indicated what its forecast is going to be for the coming year.

Mr Christopherson: Ah, national security, I suppose? State secret?

The Chair: I can't comment.

Mr Arnott: Going to page 2—

Mr Phillips: I'm sorry, still on page 1, the employment numbers are incorrect.

The Chair: Where is that?

Mr Phillips: Down in the second paragraph from the bottom. I think they've been updated since those numbers. I believe for 1999 it's actually 198,000.

Ms Mushinski: Are you talking about jobs?

Mr Phillips: Pardon me?

Ms Mushinski: Are you talking about the numbers of jobs or unemployment?

Mr Phillips: Yes.

The Chair: But I think these numbers refer to the figure that the Minister of Finance presented to the committee.

Mr Phillips: OK. You'd prefer the 198,000.

Interjections.

Mr Phillips: Well, if you insist.

Mr Arnott: If there are authoritative figures that have been released since—

Mr Phillips: It's just historical revision of the labour force estimates, and that doesn't really matter to me.

Mr Arnott: Is that StatsCan or is it Ministry of Labour?

Mr Phillips: Ministry of Finance.

Mr Arnott: We wouldn't mind the more recent number included in the report.

Ms Mushinski: It's 198,000 new jobs.

The Chair: Anything else on page 1?

Mr Phillips: I disagree with the bottom paragraph.

The Chair: We'll put you on the record. Page 2.

Mr Arnott: In the paragraph that begins with the title "Fiscal Situation," the first sentence there, "For the fifth year, the deficit target will be exceeded, thereby resulting in a balanced budget." We want to clarify that the report should read, "For the fifth year in a row, the deficit target should be exceeded." Ontario is on track to eliminate the deficit in the year 2000-01. This states that "the deficit target will be exceeded, thereby resulting in a balanced budget." It is projected that we will have a balanced budget next year. We hope to achieve it.

1030

Mr Christopherson: Those are ministry figures. I don't have a problem with your doing that, but it should say that those are government figures.

Mr Arnott: Pardon?

Mr Christopherson: I don't have a problem with what you are suggesting. I'm just saying that if you are going to do that, then anything beyond what can be checked factually is projection by somebody, in this case, the government. I would prefer that that sentence reflected that, that's all.

Mr Arnott: Fair enough.

The Chair: Any other comments on page 2?

Mr Arnott: The next paragraph begins with the sentence, "At the same time, expenditure has risen \$1.1 billion." We would like to see that changed to "At the same time, expenditure has risen \$1.1 billion over the 1999 budget plan."

The Chair: "Over the 1999 budget"?

Mr Arnott: Right. To further clarify what that \$1.1 billion has been spent on, we would like to say, "Significant additional expenditures for the third quarter of the fiscal year 1999-2000 include a \$200-million increase in public service-OPSEU pension plan expenditure, \$196 million for hospitals and \$196 million as a result of the Canada-Ontario social housing agreement."

The Chair: Could you read that again, to make sure we have the proper wording.

Mr Arnott: I assumed you could get it from Hansard, but if you can't, I'll read it again.

"At the same time, expenditure has risen \$1.1 billion over the 1999 budget plan. Significant additional expenditures for the third quarter of the fiscal year 1999-2000 include a \$200-million increase in public

service-OPSEU pension plan expenditure, \$196 million for hospitals and \$196 million as a result of the Canada-Ontario social housing agreement.”

The Chair: Thank you.

Mr Christopherson: That change from \$196 million for health to \$196 million for hospitals, do we have a source for that? Do you have paper on that? It's a political issue.

Mr Arnott: That's my understanding. It is factually correct.

Mr Christopherson: If we could ask David to check it out and it is in the material that was presented and it's just a word clarification, I'm fine with it. But obviously it's a rather sensitive political point, so we want to be sure.

Mr Arnott: You want to check that out.

Mr Christopherson: If you don't mind.

Mr Arnott: Not at all.

Mr Christopherson: So it's agreed, provided David checks it and it is in the documentation that that is what the government is saying the money was spent on.

The Chair: Anything else on page 2, Mr Arnott?

Mr Arnott: Yes. In the middle of the third paragraph of the same section there is a sentence that begins, “At the same time, it should be borne in mind that program expenditures on a per capita basis” We want to point out that the Ontario government is spending more on health care in absolute dollars than any other government in the province's history, and that while per capita health expenditures may have dropped slightly since 1995, they have been increasing steadily since 1996-97. So we would prefer that the following wording be used: “While per capita health expenditures may have dropped slightly after 1995, they have been increasing steadily since 1996-97.”

Mr Christopherson: I'm sorry, where on page 2 do you want to make the change?

Mr Arnott: The third paragraph of “Fiscal Situation.” The bottom paragraph on the page. The sentence in the existing draft report reads, “At the same time, it should be borne in mind that program expenditures on a per capita basis have not declined substantially and, indeed, that expenditure on health has remained constant.” We want to clarify that by saying, “While per capita health expenditures dropped slightly after 1995, they have been increasing steadily since 1996-97.”

Mr Christopherson: I don't want to use the word “spin,” but we're getting close to sort of making an argument about something or taking a fact and trying to show it in a certain light, which is fair game and I expect that to be reflected in the final report.

But if we get into too much of that here, we're having an argument over a draft report that is quite frankly moot after the government's report is tabled. You're making an argument there; you're putting a spin to it.

Mr Arnott: If any spin is being put on it, it makes it more difficult for the government.

Mr Christopherson: Well, eliminate it. Eliminate the sentence.

Mr Arnott: I think the sentence is fine. I just think in fairness and honesty it needs to be clarified.

Mr Christopherson: Well, OK. Let's split hairs. You used the word “slightly.” We could argue that we don't agree with the word “slightly.” Again, just by virtue of adding that word as part of your description, you're casting a light on it. That's fine for you to do. As I say, I expect you to do it in your report, but to do it here in what is basically a generic summary of what's happened, I have a problem with starting to put words like “slightly” in there.

I really think you're making the argument of what you want in your final report. If that sort of thing is what you want to do throughout this whole document, given that this is just a base reference anyway, I'd just as soon delete it, remove the argument, and move on.

Mr Arnott: I think it's important to point out the level of health expenditure and, as I say, I think this is a point of clarification which is perhaps necessary, given the fact that the way it's written I believe is factually incorrect.

Mr Christopherson: So now we're going to start voting on this report and once we have even one vote, quite frankly, that takes us off of full agreement, it's no longer a document of factual statement. It becomes a political document and this process is moot.

It doesn't mean you can't. I'm just saying it doesn't make it worthwhile putting a lot of effort into the document if you're just going to ram through what you want. That's what your final report is for.

The Chair: At this point in time we're only giving direction to the researcher, so it's not a debatable issue. I would like to see if we can get consensus on it prior to having the final report. There may be voting on the final report.

Mr Christopherson: I'm trying to be helpful, Chair. It won't happen this way.

Ms Mushinski: Why don't we just delete the sentence then if we want to agree in principle?

Mr Phillips: It's easiest for us if the report reflects what people told us. It becomes more difficult if we put things in the report that are editorial comments, just because then I can accept what the government said about the role exports play. But if we start to editorialize, then I have to say: “The government said this. I can't agree with that.” Whereas I can accept, yes, that's what the government said. I don't agree with it, but that is a reflection—I'm just saying that if the body of the report can reflect what advice we got, and then our recommendations can be the point of differentiation, that's more helpful for us. Otherwise, as my colleague said, then we're forced to comment on each editorial comment and that becomes more difficult for us.

The Chair: It would make it easier to proceed with, there's no doubt about it, because there are going to be some recommendations that will be forthcoming and you probably can deal with that particular issue at that particular point in time.

Ms Mushinski: Mr Chairman, is Mr Phillips saying that he agrees this is not editorializing and that we've

actually changed this sentence to reflect what actually happened to health care expenditures?

Mr Phillips: If you can show me where Mr Eves said it or a government witness said that was the case, that's easier. If we now are putting our own interpretation on it or we're changing what people told us, or adding things to what people told us, then it becomes more difficult for me. If you can show in Hansard that when the ministry was here or his officials were here they said that per capita expenditures were—

1040

Mr Arnott: I don't recall the minister saying that, but I do believe it is the case. I'm surprised that you don't want it included, but if you don't want it included, we can delete the sentence.

The Chair: So just delete it at this point in time? OK.

Mr Arnott: Yes, that last sentence.

Mr Christopherson: That's to get us over this hurdle. Personally I would have liked to see the statement stay, obviously, but to get us past this point—I just want to say, if you've got a whole lot of changes coming that are similar to that and you know it's in front of you, I'm just advising you that deletion is not going to be a solution every way. You'd best think in your mind, are you going to force us to have at least one vote that makes this a political document as opposed to a statement of fact, and not see deletion on other things as how we're going to get past these things?

Mr Arnott: Mr Christopherson, you can vote on any of these if you want. I think it was a reasonable inclusion and if we've just agreed to delete it, we've agreed to delete it, and hopefully we can get on with the next one.

On page 3, on the section entitled "Debt Repayment," the very first sentence states, "Having achieved a balanced budget, the government can turn its attention to repaying the debt."

The budget is not yet balanced, as we heard the Treasurer say. There is still a deficit, I believe in the range of \$1 billion in the current fiscal year. It's projected that we will have a balanced budget next year. It's hoped, I think by everybody, that we will have a balanced budget by next year. So if we could change that to, "Once the budget is balanced, the government can turn its attention to repaying the debt."

The Chair: Any comments?

Mr Christopherson: Well, we disagree to the extent that we think there's a legitimate financial argument to be made that the books are already balanced. But given where the sentence goes anyway—

Mr Arnott: Thank you. Later on in that same paragraph, about the middle of it, there is a sentence that begins, "The government's proposal to reduce the debt by \$2 billion per annum during its current mandate is regarded by some as too modest."

The government has never stated that it's going to reduce the debt by \$2 billion per annum, but our party committed to reducing the debt by \$2 billion over the term of government should we be re-elected. That was a statement in our Blueprint document. We need to state

that it's a \$2-billion repayment of the debt over the current mandate.

Mr Phillips: That's right.

The Chair: That's a fact. We were talking \$500 million a year.

Mr Arnott: Actually, \$500 million isn't correct either.

The Chair: No, but during the discussion there was reference made to that.

Mr Arnott: Yes.

Still on page 3, in the section "Taxes," the second paragraph in that section begins, "On the other hand, it was pointed out that because the tax cuts took effect when the budget was not balanced, they constituted borrowing and therefore contributed to the growth in the debt by more than \$3 billion."

The government would argue that this statement was made by witnesses and should be attributed to them. The report should read, "On the other hand, other witnesses argued that because the tax cuts took effect when the budget was not balanced, they constituted borrowing," and so on.

Mr Young: That's in accordance with what we talked about before.

Mr Arnott: Exactly.

Mr Young: Quite simply, I have it in my notes here attributing it to individuals who made submissions.

The Chair: You're balancing it by coming back, "On the hand, other witnesses"—

Mr Arnott: Right.

In that same paragraph, the very next sentence from the draft report reads, "Moreover, they jeopardize the provision of social services that have traditionally been provided by government and they benefit the 'rich' at the expense of the rest of society." Again we would state that was a statement made by witnesses and should be attributed to them. A neat way of wording it would be, "They further argued that these cuts jeopardize the provision of social services."

Mr Monte Kwinter (York Centre): Mr Chair, may I make a suggestion?

The Chair: Sure.

Mr Kwinter: I have no problem with the intent but I would rather change the word from "they" to "it." When you say "they," it gives the impression that the people who made the comment before are the same people who are making this one, and they may not have been. There may be two different groups.

Mr Arnott: So you'd just say, "It was further argued."

Mr Kwinter: "It was further argued," as opposed to, "They further argued," which implies that the same people said that.

Mr Arnott: It may not be the case. OK.

Mr Kwinter: It may not be the case.

The Chair: Any further comments?

Mr Arnott: Same paragraph, last sentence. The wording here is, "It was proposed that the remaining tax cuts be cancelled and that the revenue be assigned," and you

could again say, "Some witnesses proposed that the remaining tax cuts," but the same kind of idea, making sure it's attributed to the witnesses and directly so.

In the next paragraph, entitled "Personal Income Taxes," it reads, "Personal income taxes have already been reduced by 30% and will be reduced by another 20% over the next five years." We want to make sure that the wording is factually correct, so we would suggest that the wording read instead, "Ontario's general personal income tax rate has already been reduced by 30% and will be reduced by another 20% over the next five years."

The last sentence in that same paragraph reads, "Approximately 1,205,000 citizens have benefited.... I would prefer that it states those facts this way: "Approximately 1,205,000 citizens benefit from the Ontario tax reduction program, including 650,000 who pay federal PIT but not provincial PIT." That's a point of clarification.

Mr Arnott: On page 4, the very first sentence, top paragraph, it reads, "The marginal tax rates in Ontario are regarded by several witnesses as a cause for concern." The government believes that the witnesses who commented on this expressed concern about the high top marginal rates, not marginal rates in general. We would prefer that it read, "The high top marginal rates in Ontario are regarded by several witnesses...."

Mr Christopherson: Just a clarification for you, Chair: Marginal rates only apply to the high-end income earners anyway, so what's the distinction?

Mr Arnott: It's my understanding that the marginal tax rate is the rate of tax on every additional dollar that you earn, right?

Mr Christopherson: Yes.

Mr Arnott: So what we're trying to talk about here, I think, what the witnesses were trying to talk about, is the high top marginal rates, not necessarily marginal rates in general.

Mr Christopherson: Sorry, the emphasis being on? They only apply to high-income earners. Did you say "high rates"?

Mr Arnott: No. My understanding is, when you talk about marginal tax rates, that you're not necessarily talking about the highest rate of income tax. You're talking about the amount of tax that you pay on the next dollar you earn above and beyond what you're earning today.

1050

Mr Christopherson: You're saying all the thresholds along the way. Sorry. Again, I don't want to split hairs, but I'm trying to understand your point. You're moving into a different threshold tax bracket as your income increases. I agree that's not high income, but I don't think that qualifies necessarily as marginal rates, does it? Again, not being an economist, maybe they used every one of those thresholds as a marginal rate.

Mr Arnott: I think that's what they talk about. That's my understanding.

Mr Christopherson: So anything from dollar one that's taxed is a marginal rate?

Mr Arnott: We've got the economists over here who want to jump in, I think. It's my understanding that the concept of marginal rate of taxation is the marginal rate is the amount that you pay on the next dollar that you earn above and beyond what you're currently earning. So you can talk about high marginal rates. High marginal rate is the top rate, I believe, of tax that you pay.

Mr Christopherson: I guess I was just trying to get a sense of when you say "high top rate," do you mean the high-income earner or the rate that the marginal tax is at is too high?

Mr Arnott: I'm trying to remember how many tax rates are applied to income in the country. I think there are three. We're talking about the high marginal rate.

Mr Christopherson: The highest?

Mr Arnott: It could be the highest, yes. The presenters who expressed concerns about tax rates talked about the high marginal rates.

Mr Kwinter: If you take a look at that paragraph, I think they're trying to compare that in Ontario the marginal tax rate is applied at the income level of \$63,000. In other words, up to \$63,000 there is a formula for the taxes you pay on a percentage. Once you get above that, there's a marginal rate. Comparing that with the United States, the marginal rate does not kick in until \$400,000.

Mr Arnott: The high top marginal rate, right?

Mr Kwinter: It seems to be the point that's being made in this paragraph. Their concern is that \$63,000 is a number that should be increased. So they're concerned that the marginal rate kicks in at \$63,000.

Mr Arnott: The high top marginal rate.

Mr Kwinter: That's the concern that they're expressing. Otherwise, why would they be comparing it to the \$400,000 in the United States?

Mr Arnott: The very next sentence, following up on what Monte was saying, is, "Although middle-class earners pay the lowest rate of ... personal income taxes in the country, they are penalized by the marginal tax rates which are applied at the income level of \$63,000." We would prefer it say, "they are penalized when the top marginal tax rate begins to apply at an income level of \$63,000."

Mr Christopherson: Is that to say tax paid below that is still a marginal tax?

Mr Arnott: Can you ask the question again? I'm trying to understand what you mean.

Mr Christopherson: Again, you're insisting on this high rate, and we're at this point where marginal taxes only kick in when you've got high income.

Mr Arnott: No, I don't think that's correct. As you go up the income scale in a graduated income tax system, if there are three categories of tax or three classes or three rates that are applied in a graduated system, as you go up, you're hitting marginal rates. But the high top marginal rate is the high rate. It kicks in at \$63,000 of income. Some of our presenters indicated the belief that the high top marginal rate should kick in at a higher level of income.

Mr Christopherson: Your exact wording was what?

Mr Arnott: Very consistent, I think, with what I heard Monte expressing: "they are penalized when the top marginal tax rate begins to apply at an income level of \$63,000," instead of, "Although middle-class earners pay the lowest rate of provincial personal income tax in the country, they are penalized by the marginal tax rates which are applied at the income level of \$63,000." We want the wording "top marginal rate," because I think that's technically correct.

In the next section the heading is "'Made for Ontario' Tax System," and the second sentence there reads at present, "Among other things, the province is unable to influence decisions regarding its own Income Tax Act or introduce policy measures without federal concurrence." We would prefer that it say there, "Among other things, the province is unable to introduce policy measures, other than rate changes, without federal concurrence."

The Chair: Any comments? If not, go ahead, Mr Arnott.

Mr Arnott: I'm afraid I have to go back to the first paragraph with a further suggestion, again consistent with what we've talked about in terms of adding the words, "top marginal rate" to that sentence: "It was suggested that they be reduced to maintain Ontario's competitiveness with the United States"—it says here "marginal," but we want to say, "where the top marginal tax rate begins to apply at an annual income level of \$400,000."

The Chair: So you want "top marginal" wherever "marginal" appears?

Mr Arnott: That's right. Again, consistent with what we have already established.

In the middle of the page, in the section "'Made for Ontario' Tax System," the very first sentence in that second paragraph is, "The 'Made for Ontario' personal tax system should be seen within the broader structure of federal-provincial relations." We would like to see that changed to, "The Minister of Finance stated that the 'Made for Ontario' personal tax system should be seen within the broader structure of federal-provincial relations," again clarifying that it was the opinion of the minister as expressed to the committee.

The Chair: Basically all you're introducing there is "The Minister of Finance stated"?

Mr Arnott: "The Minister of Finance stated," yes.

The Chair: Any comments? Go ahead.

Mr Arnott: In the next part, the paragraph that is entitled "Corporate Taxes," getting down to the bottom of the page there, there's a sentence on the very last line that begins, "It was suggested that the Business Advisory Panel on Corporate Taxation proposed in the 1999 budget should be established and that its recommendations be implemented as soon as possible." We just want to characterize the committee the way the government has been talking about it, as the Business Tax Review Panel. That's its official name, not the Business Advisory Panel on Corporate Taxation. Again, we would call it the Business Tax Review Panel.

The Chair: Comments? No.

Mr Arnott: On page 5, the paragraph on payroll taxes, the very last sentence of that paragraph reads, "Ontario has reduced the employer health tax for all businesses and for self-employed individuals and businesses with payrolls under \$400,000." For the purposes of clarification, we would prefer that it read, "Ontario has reduced the employer health tax for all businesses and eliminated it altogether for self-employed individuals and businesses with payrolls under \$400,000." Just a point of clarification.

The Chair: Comments?

Mr Kwinter: I have no problem with it. I just would change the wording and not say "eliminated it altogether," but "totally eliminated it."

Mr Arnott: "... for self-employed individuals ..."

Mr Kwinter: Yes, "totally eliminated it for self-employed individuals and businesses ..."

Mr Arnott: "... and businesses with payrolls under \$400,000."

Interjections.

Mr Kwinter: I'm a former editorial director, and I just don't like "eliminated it altogether."

1100

The Chair: Is that acceptable?

Mr Arnott: Yes.

The Chair: Go ahead.

Mr Arnott: The next paragraph, "GST-PST Harmonization," the second sentence there—and I guess this is maybe an example of what I talked about in my preliminary comments: "The current system, whereby the GST is attached to the PST, creates regressive compliance costs for small business. It reduces the competitiveness of Ontario's businesses vis-à-vis competitors from jurisdictions that have harmonized sales taxes. A national harmonized system is desirable since, among other things, it would lead to a lower rate of taxation."

We would like it to be indicated as follows: "These witnesses argued that the current system, which has two separate sales tax administrations, creates regressive compliance costs and reduces the competitiveness..." Make sure it's attributed to the witnesses as opposed to a statement of fact that's not disputed.

The Chair: Go ahead.

Mr Arnott: Under the section "Gas Taxes," the very first sentence we have here is, "The impact of rising and volatile gas prices on the cost of transporting goods is adding to business costs, a problem that is compounded by high fuel taxes." I guess from our perspective as government members we'd want to point out that the provincial gasoline tax, at 14.7 cents a litre, has remained frozen since 1992—

Mr Christopherson: Oh, come on, Ted.

Mr Arnott: —and that that is not the root of the current problem with rising gasoline prices, given the fact that our tax has not gone up since 1992.

Mr Kwinter: Can I address that? I do think we're getting into a problem area when you start doing that. There's no question that when we were hearing deputants, they were concerned about the high tax component

of it. I don't think we should be arguing that in this paragraph. There's ample opportunity to make the government's argument in your recommendations, but I think you're really changing what was said and what was said to us. There's no question that you see the Canadian Automobile Association—several groups made representations to us about the price component of the tax, and I think you can't argue it in this point. There's a place for you to make the argument, but I don't think it should be argued in this paragraph.

Mr Christopherson: Exactly my concerns.

The Chair: This is something that maybe could be introduced in your appendix.

Mr Arnott: It could be, but nevertheless it is a fact that provincial gasoline taxes—

Mr Christopherson: So what? The sun came up this morning in fact too.

Mr Arnott: Yes, it did. Provincial gasoline taxes haven't gone up since 1992, so I don't know how anyone could argue that that's—

Ms Mushinski: Why are you so defensive?

Mr Kwinter: Because it's well known.

Mr Arnott:—the root cause of the volatility, the gasoline tax today.

Mr Christopherson: Because it's an argument and it reflects the recent political position that the Premier came up with, which he's entitled to do. I'm not even arguing that it's not true, but that's not the point. That point was never made anywhere by anyone in the presentations we heard and therefore is editorial, political, and not a reflection of what we heard.

Mr Kwinter: That's the point. No one came to us and said, "Whatever you do, don't touch the tax component because it's never gone up." No one has said that. I'm not in any way arguing that the tax should be changed. I'm just saying that is not what was presented and it's really editorializing and responding to something where there's a place to do it.

Mr Arnott: I don't recall anyone making that case either. Certainly if you're concerned about high gas taxes, it's a fair thing to say to the provincial government, "Are you prepared to cut gas taxes?"

All I'm saying is, it's a point that we think could be included in the report as a fact.

Mr Christopherson: And we're saying no.

Mr Kwinter: No, no. We're saying there is a place to do it.

Mr Christopherson: You admit no one said it, and all we're doing is on the basis of what we heard. How can you say the two fit? You just think it's a keen argument, and that's fine. Show it in your final report—

Mr Arnott: Granted it's a helpful argument.

Mr Christopherson:—but not as a reflection of what we heard when we didn't hear it.

The Chair: To be fair, what I'll do is ask the researcher to look at the presentations from the presenters. If the 14.7 cents per litre was referred to, then fine; if not, I think maybe it's something which should be incorporated in the appendix.

Mr Arnott: Fair enough. I still think it's a valid point, but we can review Hansard. I don't recall anybody making that point.

Mr Kwinter: If I could just add one other comment. This issue has been around for as long as I have been around. I was the Minister of Consumer and Commercial Relations, and I had to fight this issue. What happens is: You can have all of your fact-finding groups and gas-busters and everything else, but nobody is going to be able to say to the oil companies, "We are going to impose a limit on what you can charge." It's just not going to happen. So when you get into the argument, the only way the province—unless they want to really get draconian and say, "We're putting a cap on the price of fuel." That is really intruding in the marketplace. How do you tell someone, "You must sell gas and lose money."

The only area where the province has any flexibility is in the tax. One thing they can do without asking anybody is say: "We understand that this is a real hardship on drivers. We're going to cut the tax it in half, or we're going to do whatever." That is a valid thing and the only they can do. They have no ability to do anything else, other than make noise and appear to be doing something. In the final analysis, there have been eight inquiries that I know of, and they all come up with the same determination. That is why I am saying the argument—and I'm not making the argument—has to be made in a different place. Nobody came up to us and said, "Leave the tax alone, but do something else."

Mr Arnott: Okay. That's fine. Again, perhaps we could include this in our final recommendations, but I believe it is a valid point and would think there is a place for it in the report.

Mr Christopherson: It's not a valid point.

Mr Arnott: On page 6, "Property Taxes," the first two sentences: "The seeming inability of governments to create an equitable system of property taxes concerned many witnesses. The introduction of the province-wide assessment system based on current or market value in 1998 included, among other things, 'ranges of fairness' that spelt out the extent to which taxes on commercial, industrial and multi-residential property could differ." The point we would like to see reflected here is that the Ontario fair assessment system provides a fairer property tax system by updating all property assessments and providing municipalities with tools to establish fair property taxes and mitigate tax changes. The new system is more transparent and taxpayers know what they are paying compared to others.

Mr Christopherson: I'm sure you'd love to have that in there. Who said it?

Mr Phillips: Besides you?

Mr Christopherson: Yes, besides Ted just now.

Mr Arnott: I've heard it stated in the Legislature many times.

Ms Mushinski: Where did "The seeming inability of governments to create an equitable system of property taxes concerned many witnesses" come from?

Mr Christopherson: I don't have a problem with that.

Mr Young: Can you delete that initial line, the line that you wanted commented upon?

The Chair: What are you suggesting?

Mr Young: Nothing yet.

Mr Arnott: Again, it's fair to make this point of clarification as to what was motivating the government in terms of its changes to property tax.

Mr Christopherson: If somebody wanted to make a clarification as to who said it, or if it was factually incorrect, reflecting what someone said, fair game. Again, I think the government is looking for words and editorial comments that weren't made. And again, they can put it in the final report, but not as a statement of factual—

Mr Kwinter: Can I make a suggestion that might solve the problem. I want to be fair, and I think that that is a pejorative sentence, I really do. It would seem to me that a way of getting around it that will serve everybody's interests is to say that some witnesses expressed concern about what was supposed to be an equitable system of property taxes.

1110

Mr Christopherson: That makes the government look better.

Mr Kwinter: In other words, the sentence now says the government hasn't got the ability to deal with this.

Ms Mushinski: That's right.

Mr Kwinter: It is saying that this is supposed to be fair, but there are instances where obviously it is not fair, and that was their concern. I think that is what we should be conveying. If it were a perfect system, this wouldn't be in here.

Mr Arnott: In terms of wording, I would prefer it to say that it's the government's intention or the government intends.

Mr Kwinter: This isn't a statement from the government; this is a statement from witnesses who are expressing their concern about what they see is an inequitable implementation of this fair tax system. We heard it. They're saying there are all sorts of inequities in there and lots of problems that haven't been addressed, in their view. This is just their view. You may not agree with it, but that's what they are saying.

Mr Young: What are you suggesting?

Ms Mushinski: "Some witnesses expressed concern about the government's ability to create an equitable system of property taxes"?

Mr Kwinter: The point they were making was that some witnesses expressed concern about what was supposed to be an equitable system of property taxes.

Mr Arnott: I can accept that if you were to say, "The government intends to create" as opposed to what was supposed—

Ms Mushinski: "The government's intention to create"—

Mr Kwinter: We're not saying what the government said; we're saying what the witnesses said. You have a chance to respond to that later on in the same way. Then they go on to say why they say this is their point, and this is what we have to address.

Mr Young: What about as a compromise saying "had some concerns about what was tabled as" or "presented as"?

Mr Arnott: That's fine with me.

Mr Young: Does that satisfy both sides of the argument?

Mr Kwinter: Again, they weren't there, and they weren't criticizing material that had been tabled. They were criticizing what was actually happening out in the real world. They were saying: "Here we are. We got our tax bills. This was supposed to be fair, it was supposed to be equitable, and here are all sorts of cases where that isn't the case." All they're really saying is—and, as I say, it is pejorative to say "the seeming inability of governments to create an equitable system of property taxes." I really don't think it's fair to say that. But on the other hand you have to acknowledge that there are problems in the system, and the people who came were pointing out those problems.

Mr Young: Monte, you proposed—and I know you were just thinking out loud—and talked about using the words "about what was supposed to be."

Ms Mushinski: It's a hell of a lot fairer than it was.

Mr Kwinter: Fine, and I'm not saying that. What it was supposed to be was totally fair, and they're saying there are problems with it and they want it addressed. I don't think anybody can object to that. All they're saying is that there was supposed to be an equitable tax system and yet there are all these anomalies that keep coming up where it isn't. They're just saying, "Do something about it."

Mr Arnott: What was your wording again, David?

Mr Young: Something along the lines of "presented as" or "tabled as."

What if we took a different approach and said something like, "Some witnesses expressed concerns about the manner in which recent changes to property taxes have affected them."

Mr Arnott: Sounds good.

Mr Kwinter: I think it's critical that we maintain that the intent of this legislation was to provide an equitable system of property taxes, and some witnesses were concerned that that in fact is not the case.

Mr Christopherson: If we can't agree on it, the easiest way is that we take that sentence out. It doesn't really do anything. It doesn't take away from what the paragraph says, and may remove the language you are not comfortable with.

Mr Young: So the paragraph would begin, "The introduction of the province-wide assessment system"

Mr Christopherson: Again, thinking out loud, that's what I'm suggesting.

Mr Arnott: Yes, if we can remove that first sentence, that would be satisfactory, I guess. Getting into that, if that second sentence now becomes the first sentence, having deleted the first sentence of the draft—

Mr Christopherson: That is the reference to witnesses.

Mr Arnott: Yes. It says, "The introduction of the province-wide assessment system based on current or market value in 1998 included, among other things, 'ranges of fairness' that spelt out the extent to which taxes on commercial, industrial and multi-residential property could differ."

It would be my recommendation that we change that first sentence to, "The introduction of the province-wide assessment system based on current or market value in 1998 included, among other things, 'ranges of fairness' that spelt out the extent to which taxes should differ between property classes."

Ms Mushinski: Is that "should"?

Mr Arnott: Yes, "should."

Mr Kwinter: Again, if you want to do that part of it, I would eliminate the first sentence and just say that some—whatever you want to call them—"Some witnesses were concerned that the introduction of ... could differ."

Mr Arnott: That's fine, except that I'm suggesting that towards the end of that sentence, instead of "that spelt out the extent to which taxes on commercial, industrial and multi-residential properties could differ," it should say "that spelt out the extent to which taxes should differ between property classes."

Mr Kwinter: No, that's not their concern. They're not saying you should differentiate. They're saying: "The guy down the street has got the same value as I have, the same house as I have, and we have different assessments and different values. They differ." That's their concern.

Mr Arnott: That's where we've got a problem then. That whole sentence is attempting to be a statement of fact of the reality of the system that the government was trying to set up.

Mr Kwinter: That's why I am suggesting that if you started off to say, "Some witnesses"—

Mr Arnott: Some witnesses are concerned about it.

Mr Kwinter:—"state that this statement of fact could differ." It's supposed to mean that there's fairness and there's a range and they're saying that this range could differ, depending on the particular property.

Mr Arnott: Could we get around that by creating a new first sentence, saying very simply, "Some witnesses came before the committee expressing concern about the property tax reforms in the province of Ontario?"

Mr Christopherson: I think Monte's point is well taken, that the "could" or "should" does shift the emphasis that the witnesses were placing in terms of the point they were making. Do you know what I mean? As opposed to your looking at it in terms of how would you phrase what it is you want to accomplish, Monte's point is well taken that the witnesses were pointing out that there could be these differences and they shouldn't be there. That emphasis on "could"—I don't want to spend too much time on one word; next thing we're debating the word "so"—I think his point is very well taken, whether making that shift that you want really alters things as opposed to clarifying it.

Mr Arnott: If you start the sentence with, again what words, Monte?

Mr Kwinter: "Some witnesses were concerned that the introduction of the province-wide assessment system based on current or market value in 1998 included, among other things, 'ranges of fairness' that spelt out the extent to which taxes on a commercial, industrial and multi-residential property could differ."

Mr Young: What happened to your editorial board background? That's a long sentence.

Mr Kwinter: No. I'm just trying to get the intent of the thing. We're not going to rewrite the whole paragraph. I just want to take a look at that sentence.

Mr Christopherson: Could we hear it again?

Mr Kwinter: That was the intent—

Mr Christopherson: Adding "Some witnesses" in front of that. Eliminate the first sentence and then start the second as the first with "Some witnesses." I think it should be "Many witnesses," because that's the description—

Mr Young: There has to be another word.

Mr Christopherson: Other than that, it's the same.

Mr Arnott: "Some witnesses" what?

Mr Kwinter: "... were concerned that"

Mr Christopherson: Yes, and everything else runs the same as the draft.

The Chair: Have we got consensus on this here? "Some witnesses were concerned that"

Mr Arnott: Thanks, Monte.

The Chair: OK.

Mr Kwinter: OK.

1120

Mr Arnott: Towards the end of that paragraph, the last sentence in that same paragraph, it says, "Moreover, while the 10-5-5 cap has prevented the imposition of tax increases for some businesses, it has allowed a number of municipalities to postpone decisions on this complex issue." I would point out the provincial government has undertaken the difficult task of reforming an outdated property tax system in recent months. Many municipalities chose not to use the available tools to manage tax changes resulting from moving to a fairer system. The result was that too many businesses would have experienced severe and unmanageable tax increases, and this is why the government stepped in to impose the 10, 5 and 5 limits on property tax increases.

Municipalities are required to limit tax increases related to property tax reform on commercial-industrial-multi-residential properties to 10% in 1998, 5% in 1999 and 5% in the year 2000. For municipalities which adopted the 10, 5 and 5 cap, they were required to recalculate the 1998 taxes, redistributing taxes closer to the way they had been distributed in the previous year. This means that property owners whose taxes were increasing in 1998 would see less of an increase than they would have faced, and taxpayers whose taxes were decreasing in 1998 would see less of a decrease than they had anticipated.

Mr Christopherson: Is this a reflection of what was said, or is this a creative writing course?

Mr Arnott: This is something we would like to see—

Mr Christopherson: I'm sure you would.

Mr Arnott:—included in the body of the report because it accurately I think clarifies the government's position, which would be of assistance to people reading the report.

Mr Christopherson: Ted, sorry. There's no way we're going to go that far off the thing. I will say, however, if it's helpful to you, that "allowed a number of municipalities" is a pejorative statement against municipalities. Maybe the word "allowed" changed to "resulted in" is fair, and then do not suggest why they did it. "Allowed" almost sounds like the municipalities were pulling a fast one. So "resulted in" I think is fairer in terms of what the end result is. Other than that, you're asking for an entire change which, again, dropped into your report is fine, but you really do alter what was said at the committee.

Mr Arnott: So again, Dave, you're suggesting that the word "allowed"—

Mr Christopherson: I was just suggesting that where it says "allowed" in the second-to-last sentence of "Property Taxes," first paragraph, we change that to "resulted in a number of municipalities postponing decisions on this complex issue." That's factually correct and that's what was pointed out. When you say "allowed," you're suggesting that councils were deviously trying to manipulate, and I don't know that we want to say that about all municipalities. I would hope we wouldn't want to say that. But the rest of it, I think you're asking for a bit much from a factual document. I don't know how those will stand up.

Mr Arnott: I don't object to changing "allowed" to "resulted in." I think that's a helpful suggestion. Thank you.

The Chair: In order to move this thing on property taxes along, correct me if I'm wrong, but I think what we've heard is that there were some ranges of fairness, bands of assessment. However, some municipalities decided not to use those tools. It created a problem, and I think with a report to the Minister of Finance the presenters wanted to make us aware that it created a problem. Consequently, this is what we should be reporting to the ministry, that those tools were not used within the act itself. Am I correct or am I wrong?

Mr Christopherson: I don't know that you can limit all their concerns to just those two things.

The Chair: I'm just referring to those two items, but generally speaking.

Mr Christopherson: But look at what we have. The sentence says right now, "Moreover, while the 10-5-5 cap has prevented the imposition of tax increases for some businesses, it has resulted in a number of municipalities postponing decisions on this complex issue." I'm sorry, what more are you suggesting we need to make the point?

The Chair: I'm not suggesting anything. I think we're trying to make it too complex.

Mr Arnott: That could be, Mr Chair.

The Chair: I think the word you suggested, "resulted," is adequate. That's the clarification you were looking at.

Mr Arnott: That's fine. Ideally, we'd like to see more clarification on education tax rates and we'd like to see some reference to the fact that there is a new appeal process underway as part of the property tax reform. The appeal process has been streamlined and there is a new consultation process.

Mr Kwinter: You'll get a chance to use all that good stuff in your response.

Mr Arnott: We think that the report would be improved if all of that was included.

Getting down to the section on the SuperBuild Growth Corp, page 6, the very last line on page 6—

The Chair: Excuse me, Mr Arnott, for the purpose of the record, could you repeat the clarification. We're just changing the word "allow" to "resulted"?

Mr Arnott: Fair enough.

Mr Kwinter: And also postponing—"resulted in a number of municipalities postponing decisions."

The Chair: Thank you. Go ahead.

Mr Arnott: Going back to the last paragraph on page 6, the reference to the SuperBuild Growth Corp: The sentence there reads, "For the first fiscal year of the program, the government has allocated \$2.9 billion, the bulk of which will be devoted to highways (\$936 million), education (\$742 million) and health (\$504 million)."

In fact, the words "post-secondary" should appear before the word "education," because all that money is going to post-secondary institutions; none of it is going to school boards.

The Chair: Comments?

Mr Arnott: Earlier in that paragraph there is a statement that reads, "Those proposed partnerships are the key to leveraging government's initial investment of \$10 billion over five years to attract matching private sector investment." We want to change the wording there to, "The proposed partnerships are the key to leveraging the government's initial investment of \$10 billion over five years to attract additional investment from private sector and other non-governmental partners."

Mr Christopherson: Why not the word "matching"? Isn't it \$20 billion over five and you're going to provide \$10 billion and you want players elsewhere to provide another \$10 billion? So the word "matching" is still accurate, I believe, isn't it?

Mr Arnott: Yes.

Mr Christopherson: If you agree with that, then you're just suggesting that it may not be only private sector, it could be—what were your words?

Mr Arnott: "Other non-governmental partners." The word "additional" is in there because it is \$10 billion of government investment and \$10 billion in addition.

Mr Christopherson: But "matching" said that. "Matching" is actually better because rather than just

leaving the impression that it's \$10 billion plus something, you're actually doubling it. So "matching" it would seem to me is in your favour, but if you want to say "additional," that's up to you. I'm just trying to help you a bit.

Mr Arnott: I appreciate it.

Mr Christopherson: That's why I came here today.

Mr Arnott: Thank you. That's fine, but I think it is important to point out that the additional \$10-billion investment will include other non-governmental partners, for example, the post-secondary institutions that received SuperBuild Growth money last week or two weeks ago.

The Chair: Are we staying with "matching"?

Mr Arnott: Sure. It accomplishes what I'm trying to suggest we need to do.

Mr Christopherson: So all you're adding is the "non-governmental" sources?

Mr Arnott: "And other non-governmental partners."

Mr Christopherson: That's fine.

Mr Arnott: On page 7 there is a section on the Red Tape Commission. The second sentence of that paragraph in the draft report reads, "It was pointed"—"It was pointed out," I guess it's supposed to say. "It was pointed out that since its institution, the commission has been responsible for the introduction of 11 bills that have repealed 28 statutes and amended 149 others. Moreover, approximately 1,300 pieces of outdated legislation have been revoked." Again for clarification we would prefer that it read: "Between 1995 and 1999 the commission has been responsible for the passage of 11 red tape reduction bills that have repealed 28 statutes and amended more than 150 others. Moreover, more than 1,300 outdated regulations have been revoked."

1130

Mr Christopherson: So it's just "regulations" that you're changing?

Mr Arnott: No. We're saying: "Between 1995 and 1999," which of course is concurrent with our first term in government, "the commission has been responsible for the passage of 11 red tape reduction bills that have repealed 28 statutes and amended more than 150 others. Moreover, more than 1,300 outdated regulations have been revoked." So the first point is clarification, and the second point is correction.

Mr Christopherson: Yes. A couple of things: First, I don't have a problem with 150 if that is the more accurate figure, but I would ask that it be checked so it's confirmed on paper. Second, even in the draft I'm not thrilled with the words "outdated regulations." In many of those regulation changes there were differences in the House as to whether they were important and outdated. Certainly we agreed that some were outdated, and we didn't have a problem with that and I made that comment in every single speech on red tape bills that I made in the House. However, there is a significant difference of opinion on a great number of them, and I would have trouble standing behind a statement in this document that gives the word "outdated" to describe all those regulation changes. That is very difficult for me.

Mr Arnott: Could we say, "1,300 regulations that the commission recommended were outdated"?

Mr Christopherson: If you put "the government considered outdated", that would be absolutely fine with me. When we collectively are trying to find a document we can agree on and you make the statement that they are outdated, I and my party don't believe all those regulations were outdated.

Mr Arnott: OK. It's just that they were identified by the commission; so if we could find some wording that captured that.

Mr Christopherson: If you said "the commission considered," I don't care.

Mr Kwinter: Could I suggest that we just take out the word "outdated" and do nothing else: "1,300 pieces of legislation have been revoked," period.

Mr Arnott: It's actually 1,300 regulations. Unfortunately it's a mistake.

Mr Kwinter: Whatever it is: "1,300 regulations have been revoked," period. You don't have to say what they were. They're outdated only in the sense that the Red Tape Commission says they were outdated and should be revoked.

Ms Mushinski: Except if the witnesses referred to them as being outdated.

Mr Christopherson: Then you would have to say the witnesses said that.

Ms Mushinski: It starts by saying, "A number of witnesses from the business community praised the work of the Red Tape Commission."

Mr Christopherson: Earlier you made the argument, on a number of paragraphs, that you wanted it very clear in those paragraphs. I just want to apply now the same excellent thinking you were using then.

Ms Mushinski: I couldn't agree with you more.

Mr Kwinter: The point is that when you take a look at the first sentence and say, "A number of witnesses from the business community praised the work of the red tape commission for ensuring the streamlining of the regulatory burden," that doesn't necessarily mean they were outdated. They may have been very dated; it's just that three or four of them were duplicated, so something was done about them. As long as you say that 1,300 regulations have been revoked, it's a fact that 1,300 regulations were revoked. You don't have to go on to say that some of them were outdated, some of them were consolidated or whatever. It just gives the factual information that 1,300 regulations have been revoked.

The Chair: Could we get consensus on that?

Mr Arnott: We could argue that the commission determined that they were unnecessary and the government agreed. I think the government believes they were outdated.

Mr Christopherson: I'm fine either way. I just don't want to take ownership of the descriptive word "outdated," because I don't agree with it.

Mr Arnott: I understand that. For my part, I would prefer that the word "outdated" remain in there.

Ms Mushinski: Yes. The commission did it for a reason, and the reasons were primarily that they were unnecessary or outdated.

Mr Christopherson: Public input on changes to the environment are no longer considered dated by this government. We have a different opinion. If not to get into that world is what we're trying to achieve, I can live with either attributing it to the commission's belief or Monte's, which is to withdraw it. Either way—

Mr Arnott: My understanding of the process that was followed was that the commission made those recommendations and the government agreed with them and responded with the elimination of certain outdated regulations. So if we could capture that wording, I would be happy about it.

Interjections.

The Chair: If we give credit to the commission—

Mr Christopherson: Or blame.

The Chair:—and then, “1,300 pieces of regulation have been revoked.” Legislation.

Interjections.

Mr Kwinter: Regulations.

Mr Christopherson: Are you moving off that paragraph?

The Chair: Go ahead.

Mr Christopherson: I was just unclear when I read it through about the last sentence, “There was consensus that the commission be made permanent.” Consensus among whom?

Mr Arnott: Good point.

Mr Christopherson: Us? Presenters?

Mr Arnott: I think the government members would agree that the commission ought to be made permanent, but I'm not sure about you guys.

Mr Christopherson: The commission members?

Ms Mushinski: I'm not sure because I wasn't sitting on the committee at the time.

Mrs Tina R. Molinari (Thornhill): Consensus among the witnesses.

Mr Arnott: You could say among the witnesses who talked about the Red Tape Commission. Many of them agreed that it should be made permanent.

Mr Christopherson: I'm sorry, but I would want to see then just a qualifier to the extent of “witnesses who made reference to the commission's work....”

Mr Arnott: Fair enough.

Ms Mushinski: That's what the section starts off with.

The Chair: That's fair.

Mr Arnott: On the next page, looking at the section entitled “Agriculture,” about halfway through that first paragraph there's a sentence that begins with the following: “The reduction of government support, from \$453 million in 1991-92 to \$296 million in 1998-99, at a time when international commodity prices have been falling, the closing of ministry extension offices and the elimination of crop extension specialist positions will have a detrimental effect on farming operations.”

We find this to be factually incorrect. There has been a change, of course, to the property tax system affecting farmers. Under the new system, farmers have eligible farmland and outbuildings taxed at 25% of the normal residential tax rate in each municipality instead of paying 100%, as they previously did, and then receiving a rebate through the farm tax rebate program of about 75% of their taxes paid. As part of the government's local services realignment initiative or the Who Does What program, the benefits of the former \$150-million to \$160-million farm tax rebate program were maintained through the creation of a special property tax class for farmland.

Mr Christopherson: Which witness said that?

Mr Arnott: I'm not sure which witness said that, but again, if we're going to leave this sentence in the way it is, I think it's important to say that some presenters suggested the government has done this. Again, it's our contention that it's inaccurate, given the fact there were changes to the budget of the Ministry of Agriculture and Food perhaps, but the most important change was the change in the property tax rebate program for farmers, where they previously received a rebate of 75% of their taxes paid on their farmland and now pay a different rate of 25% on the farmland and don't get a rebate any more.

1140

Mr Christopherson: I want to avoid a problem or I'm going to head into one. I can appreciate what it is you're trying to inject, Ted, but that extensive a piece to add when nobody really came in and made that case for you is really not reflective. But I am open to other suggestions to raise your comfort level.

Ms Mushinski: Could I ask a question?

The Chair: Go ahead.

Ms Mushinski: Where did the comment, “In areas like Chatham-Kent, where approximately 70% of the economy is dependent on agriculture, farmers are experiencing considerable hardship” come from? Did that come from representatives of the Chatham-Kent—

Mr Kwinter: We met in Chatham, yes. We had hearings in Chatham.

Ms Mushinski: OK, so that came from the farming community witnesses?

Mr Kwinter: Yes, the groups that came to see us.

The Chair: To respond to Mr Christopherson's point, I think the point with regard to the \$453 million, the \$296 million—and I stand to be corrected—I think that was a pull from the Ontario Federation of Agriculture presentation here in Toronto. So maybe you want to zero in and identify that that was made by a witness, or witnesses, whatever.

Mr Arnott: That's fine. It's important to point out that perhaps it was the opinion of one of the witnesses or specifically which witness it was. That's fine, but I think it's unacceptable the way it's worded because, again, it's a point of major disagreement.

The Chair: So you're suggesting then that we put in front of the reduction—

Mr Arnott: Factually incorrect from our perspective.

The Chair: —“a witness made the presentation” or whatever. How you want to word it, I don’t know.

Mr Arnott: OK.

Mrs Molinari: Can we name the witness?

Mr Arnott: You could name the witness; that’s fine. “The Ontario Federation of Agriculture suggested” or “alleged...”

Interjection: Not “alleged.” They did say it.

The Chair: So we’ll have the researcher check out the source of information.

Mr Arnott: I think it’s fair to point out that if there was a change in the overall budget of the Ministry of Agriculture and Food, the change in the property tax rebate program that the OFA had asked for for years, that that also be included in that paragraph. The OFA was on record for many years saying that the rebate program was not acceptable and that farmers shouldn’t have to pay property tax on their land, and governments for years accepted that to a point and created this rebate program. But the change the government made a few years ago was something the OFA applauded.

Mr Christopherson: Again, that’s for you to debate in your caucus as to what you’d like to see in the majority report, as opposed to a reflection of what was put before the committee.

The Chair: We’ll have the researcher look at how they made that particular presentation, or reference to that particular point.

Mr Arnott: All right. Thank you.

Getting into the trucking section, the second paragraph, about the middle of the paragraph, there’s a sentence that begins, “It is estimated that the various taxes on the industry result in revenues of approximately \$200 million per annum.” More accurately, we would prefer to see the dollar figures included there, “\$175 million to \$200 million per annum,” because I’m afraid that the \$200-million figure may overstate the actual impact.

The Chair: Comments on that?

Mr Arnott: It provides a range of between \$175 million to \$200 million per annum.

Mr Christopherson: Can I ask through you, Chair, to the researcher who made the statement?

Mr David Rampersad: The Ontario Trucking Association.

Mr Christopherson: Why don’t we just put in there that they said that?

Mr Arnott: Yes, you could, or you could say “up to \$200 million per annum, as was stated by the Ontario Trucking Association.”

Mr Christopherson: So you want to say, “It is estimated that the various taxes on the industry result in revenues of up to \$200 million per annum?”

Mr Arnott: Yes.

Mr Christopherson: But that does put an absolute cap on it. Not to split hairs, but I want to know how they presented it. They may deliberately want “approximately” because they think it’s \$190 million to \$210 million, so they wrote in “approximately \$200 million.” I

just wouldn’t want to put an artificial cap on what they were saying is the figure.

Mr Arnott: Did they not say it was \$200 million?

Mr Christopherson: I don’t know. That’s why I was suggesting—

Mr Arnott: I’m just suggesting that in terms of accuracy, it’s between \$175 million and \$200 million, and it may fluctuate from year to year, I suppose.

Mr Christopherson: I don’t think there would be vast disagreement—can we ask David to take a look at it?—if we were to give direct attribution or acknowledge that there was some flexibility around this figure \$200 million. What I wouldn’t want to do, Ted, is just say that the association wanted an upward limit of \$200 million when maybe they didn’t. They may have deliberately wanted it as 200 because they thought, “Give or take,” and we’ve changed what they think.

Mr Arnott: I see what you’re saying.

The Chair: We’ll reference their presentation.

Mr Arnott: OK. Thank you.

The very next sentence in the draft report reads, “Moreover, the price of diesel fuel is now approximately 176% higher than it was a year ago.” It’s my understanding that this statement is incorrect. The report should indicate that the price of diesel fuel is now approximately 146% higher than it was a year ago, as of last week.

The Chair: I think the truckers association pointed out the figure 176% in their presentation.

Mr Arnott: One hundred seventy six? Could we attribute that—

The Chair: We’ll check it out.

Mr Arnott: Again, check that out. I think it’s also worthwhile to note that the tax on diesel fuel has been 14.3 cents per litre since January 1, 1992—

Mr Christopherson: No.

Mr Arnott: —and that it has not been increased since that time. For my part, I think it would be helpful for people reading the report to know that.

Mr Christopherson: I’m sure you do.

The Chair: I think this is the same debate we had before. It probably can be introduced in the appendix of the report.

Mr Arnott: OK, going to page 9, the paragraph on tourism. About halfway down that paragraph there’s a sentence which begins, “However, factors such as high property taxes, insufficient government marketing budgets and low-quality attractions, among other things, are threatening its future.” I think it’s worthwhile to point out that the provincial government committed \$120 million over four years in the 1998 budget to a new Tourism Marketing Partnership Corp to improve the marketing of the province to tourists who live in Ontario and also to residents who live outside of Ontario.

There have been a number of changes to assist tourism-related properties through the property tax reform process, through the 10, 5 and 5 caps. The government has an eight-year plan to reduce business education tax rates in municipalities where rates are above the prov-

incial average. What we would want to see as a minimum in terms of this statement would be, "Some witnesses suggested that factors such as high property taxes, insufficient government marketing and low-quality attractions" and so forth.

Mr Christopherson: Where exactly do you want to insert that, Ted?

Mr Arnott: At the start of the sentence. "Some witnesses suggested that factors such as high property taxes, insufficient government marketing budgets" and so forth.

Mr Kwinter: Our only qualification, unless we can attribute it to some organization or somebody, if it's just, "I don't where it came from, I don't know where you got that number," then I have no problem with "some witnesses."

Ms Mushinski: I have a question. What was defined as "low-quality attractions"? It's almost like an oxymoron.

1150

Mr Rampersad: The tourist attractions, particularly in Toronto and outside, are not being maintained or kept up. In fact, the quality has been deteriorating.

Ms Mushinski: You're not talking about restaurants.

Mr Arnott: It was the Greater Toronto Hotel Association that made that point, wasn't it?

Under the section entitled "Small Business," the first sentence reads as follows, "Small business is an important creator of jobs but access to financing is a particular worry since there appear to be fewer sources of financing now available to small businesses than in the past." We would like to see some statement which reflects the fact that the government is moving to simplify small business financing through changes to the Ontario Securities Commission regulations. The proposed changes would significantly alter the regime for prospectus and registration exemptions, which would assist small businesses that are trying to find capital to fund their operations.

The second sentence reads, "Venture capital funds are not appropriate for the sector." We would suggest that venture capital activity in Canada is growing at a very strong rate and we would want to encourage venture capital to be more available to small business.

Ms Mushinski: That's factually incorrect.

Mr Kwinter: That is not factually incorrect. That point was made by the CFIB that venture capital is not appropriate for small business. It depends on your definition of a small business. They were talking about their particular membership, which is a very small mom-and-pop store or something else. No venture capitalists are going to put any money into that because the administration costs are prohibitive for the amount of money they're looking for. The big concern they have is that old cliché about, "They're too light for heavy work and too heavy for light work." They fall into this little niche where they can't get that money and that's their concern.

Ms Mushinski: It doesn't say that, though, anywhere in that section.

Mr Kwinter: It says, "Venture capital funds are not appropriate for the sector." The sector we're talking about is small business, and they're saying there are "fewer sources of financing now available to small businesses than in the past." That's their concern.

Ms Mushinski: But it doesn't say that anywhere in that section. All it says is: "Small business is an important creator of jobs but access to financing is a particular worry since there appear to be fewer sources of financing now available to small businesses than in the past. Venture capital funds are not appropriate for the sector." It doesn't say that CFIB argued that venture capital is not appropriate for the sector.

Mr Arnott: I don't think we want to say that venture capital is not appropriate. We might say that venture capital is not currently available in a big way to small business. That may be so.

The Chair: I think that if you reference CFIB, it probably would eliminate all the concerns you have. It's a presentation that was made by them.

Ms Mushinski: But we don't agree with that.

Mr Arnott: I'd still want to check that, because I think it's a challenge for government, perhaps—government with a small "g"—if venture capital is not available to small business. What can we do to stimulate and encourage venture capital to be available for small business?

Mr Kwinter: I don't want to editorialize, but just so you know the concept of venture capital, the venture capitalists come into a business with one intent: They want to invest in a company where they in turn can maximize their return and take it public and do whatever they have to do to get a return on their investment. It isn't appropriate for them to go into a really small business, because that business is never going to go public and is never going to give them that chance. They're not just there to invest money in risky businesses. They're in start-ups, in high-tech kinds of things where normal financing is not available. But there's got to be an upside for them.

Mr Arnott: Many of those are small businesses, though; in fact, probably all of them.

Mr Kwinter: Yes, but this is not us; this is the CFIB saying that in effect venture capital funds are not appropriate for this sector. That's the sector they were talking about which is, if you want, the bottom end of the small businesses. They're the ones that have the biggest problem. If you get a couple of people who want to start up a business, it is very difficult for them to get any kind of funding, and that was a concern that they were expressing. They're saying there are fewer of those funders available now than there were in the past. You may not agree with them, but that's what they're saying, and if you attribute it to the CFIB, then it solves the problem. That was the point of their presentation to us.

Mr Arnott: That's fine. You could attribute it to the CFIB if that's exactly what they said. It's probably a summary of a fairly complex argument they may have expressed.

The Chair: For clarification, for those who were up north, we heard the same discussion from the mine developers, prospectors, that venture capital has dried up for small business and the prospecting business and it's gone to the high-tech business. That's where the flow of capital is going. So if we reference the CFIB here, I think it pretty well clarifies the situation.

Mr Arnott: I don't think we have a huge disagreement here, but it is fair to reference the CFIB as having made this statement and check it out to make sure. The words that I'm a bit hung up on, and I'm sorry if I'm hung up on them, are the words: "Venture capital funds are not appropriate for this sector." I know of a company in Waterloo called Research in Motion. It started as a very small business and it now has a market capitalization in the billions of dollars. It started as a small business and I assume it had venture capital money at the start.

There are some small businesses that can access venture capital, perhaps because of their nature, if they are a high-technology business or whatever, and it's a good idea. I think it's up to maybe the government to find ways to make sure that more small businesses have an opportunity to access venture capital. That would be fine.

The Chair: Yes, but I think Research in Motion would not probably be a candidate as a member in the CFIB.

Mr Arnott: Well, it may have been at one time.

The Chair: Because it's the Canadian Federation of Independent Business, and Research in Motion is a high-tech firm.

Mr Arnott: It started as a small business.

The Chair: It's not the type of membership that the CFIB has.

Mr Arnott: But most large businesses started as a small business.

Mr Kwinter: There's no argument there at all. The problem you have is that if you're talking about the high-tech business, and you have that as a separate category—and you talked about some of these people having trouble. I think if we attribute it to the CFIB, they're saying that more and more people are becoming entrepreneurs, more and more people are starting up their own service industries or service businesses and they are just not candidates for venture capitalists. The nature of their business is such that a venture capitalist has no interest. If someone is going to start up an office cleaning business, venture capitalists say: "That's not our role. We have no interest in that."

The point they were making—this is the CFIB—is that more and more people are leaving the workforce to go into their own small businesses, to become entrepreneurs, but unfortunately there isn't a source of venture capital for them. As we go further along, they talk about: "Although the government has tried to improve access to financing for small business, its efforts have not been extensive, either in application or in their impact." This is

their opinion. Whether you agree with it or not, this is what they're saying.

The Chair: If we're done with that section, have you got anything else dealing with small business?

Mr Arnott: No.

The Chair: Then we'll stop here and we'll recess until 1:30.

The committee recessed from 1159 to 1331.

The Chair: We'll bring the committee back to order. We'll take up where we left off, at page 9 with "Northern Development."

Mr Arnott: Just for the benefit of all members of the committee, could you point out again exactly what page we're on?

The Chair: We're on page 9. We've completed "Small Business" and we'll start with "Northern Development."

Mr Arnott: We think the section on northern development was well done, and the reference to snowmobiling is particularly important, given that a number of the presenters were talking about that.

For our part, we would like to see some recognition in the report that talks about the Northern Ontario Heritage Fund Corp approving about \$5 million in financial assistance to the Ontario Federation of Snowmobile Clubs in September 1999. It's my understanding these funds will be used to give the organization the opportunity to develop and improve snowmobile trails, purchase grooming equipment and provide additional signage in order to make the trails safer and more user-friendly.

The government has facilitated an Ontario snowmobile task force that will identify major issues within the snowmobile industry, addressing five categories: sustainability; land use securement; legislation and policy; safety and enforcement; and emergency services. However, we would say that this section on snowmobiling is good. We would like to see further recognition of the points I've just made.

Mr Christopherson: No.

Mr Arnott: No?

Mr Christopherson: No, of course not. It's the same argument as before, Ted. It's nice and I'm sure we'll see it in your majority report.

The Chair: I can't remember if in the presentation there was any monetary amount. There was recognition of the fact that the provincial government has provided money for trail development and enhancement through the northern Ontario heritage fund. That's the second-last sentence in the bottom paragraph.

Mr Arnott: Exactly, in the amount of around \$5 million. So we would suggest that that might provide additional clarification.

The Chair: We'll have the researchers check that, if we could.

Mr Arnott: Thank you, Mr Chair.

Mr Christopherson: It was our understanding that if it was referred to, then we'll include it; if not, we won't.

Ms Elaine Campbell: Can I just ask for some clarification? Is it the committee's wish to have all of Mr Arnott's points included?

Mr Christopherson: No.

Ms Campbell: Just the dollar amount?

The Chair: Yes, if it's in the presentation.

Mr Arnott: Page 10, moving along, the section on mining. There is a statement, the very first sentence in the paragraph, that I want to refer to. It says, "The mining industry contributes \$1.5 billion to provincial revenues each year and generates approximately 160,000 direct and indirect jobs." Just to clarify, we think the report should read, "The mining industry contributes \$1.5 billion to government revenues each year and generates approximately 106,800 direct and indirect jobs." Again, this is a point of clarification.

Mr Christopherson: If I can, if it should be 106,000 instead of 160,000, that's just straight factual checking. So, obviously if 106,000 is the number, that's what will apply.

Mr Arnott: Yes.

Mr Christopherson: And we'll ask research to do that.

Mr Arnott: If necessary, what we would like to see is that, if these numbers conflict with a presentation, perhaps we could make reference to that fact.

Ms Campbell: Actually, one of the witnesses did say 160,000 direct and indirect jobs, but I'll double-check.

Mr Christopherson: Why would you want it lower?

Mr Arnott: It's just a more accurate figure from the government's perspective. I believe it's a more accurate number.

Mr Doug Galt (Northumberland): We wouldn't want to be accused of trying boost up the numbers.

Mr Arnott: No, distort the number of people working.

Mr Christopherson: So nice to have your contribution this afternoon, Mr Galt.

You went from "provincial" to "government." I'm just curious why. Not that it's the end of the world, but I'm just curious, why would that jump out to you or your staff?

Mr Arnott: "Provincial revenue" doesn't necessarily mean revenue that's coming in to the provincial government.

Mr Christopherson: I see. We wouldn't take it that way.

Mr Arnott: We might assume that. But to be more clear, I think it would be appropriate to say "provincial government revenues" or "government revenues."

Mr Galt: It changes the connotation from being purely provincial to all government when you say just simply "government. Isn't that what you're putting in?"

Mr Arnott: I believe it's "provincial government revenues."

Mr Galt: You're saying, "\$1.5 billion to government revenues each year," so that statement says to me municipal, provincial and federal.

Mr Arnott: I think I said "provincial government revenues."

Ms Campbell: If you give me the direction, I'll put in "provincial government revenues."

Mr Christopherson: Then we're going to have to check and see what they said. It's going to make a difference if it's \$1.5 billion directly to the provincial government or whether it's \$1.5 billion total to all levels of government.

The Chair: We'll clarify that.

Mr Arnott: The next statement I want to make reference to is the second sentence in that paragraph, which in the draft report reads, "In northeastern Ontario alone, over \$1 billion is paid annually in salaries and benefits to mine workers." From the information I have it's my understanding that actually \$1.2 billion is paid annually in salaries and benefits to mine workers. If we want to be factually correct, that's a more appropriate figure.

Mr Christopherson: We do have to be careful, though, with great respect. Just because you say it, or for that matter that we say it, it doesn't make it true.

Mr Arnott: I've been advised that that's the case.

Mr Christopherson: Normally you get an agreed fact by having disparate groups agree on a common number. I'm just pointing out that if we have a disparity between what a presenter said and what the government said, it isn't automatically true that the government is correct. It's not etched in stone, so we need to keep that in mind when we're asking that these things be clarified. If they're saying one thing and the government is saying another, then we need to have at least a look at what number we're reflecting and why.

Mr Arnott: Perhaps a way around it would be to suggest that the presenter said such and such and the government figures would indicate—

Mr Christopherson: I don't know that we would include "the government figures," but certainly attribution is a good way to clear it up.

The Chair: The presenter did state "over \$1 billion," so I think if you were to introduce the witness's—

Mr Christopherson: OK, then why don't we just attribute it?

Ms Campbell: Can I suggest a rewording?

The Chair: Sure, go ahead.

Ms Campbell: Could I suggest that it be reworded to say, "In northeastern Ontario alone, the committee heard that over \$1 billion is paid annually in salaries and benefits...."?

Mr Christopherson: That's fine with us.

Mr Arnott: If that's what we heard. I'm trying to remember exactly what we heard, but I'll take your word for it.

The Chair: We'll make sure the figure is correct, but the wording will be in that fashion. Go ahead.

1340

Mr Arnott: In that same paragraph, about the middle of the paragraph, we have a sentence that reads, "For example, between 1996 and 1998, Ontario mineral exploration experienced a 36% decline in investment...." To be very clear, we would like to change that to "Ontario mineral exploration expenditures experienced a 34% decline," which in my understanding is a more accurate figure. Getting back to what you have said, if

that's exactly what we heard, we would want to attribute that to the witness, but as I understand it, it's actually a 34% reduction in expenditure for exploration.

The Chair: Any problem with incorporating "exploration expenditures"?

Mr Christopherson: Same discussion as last time, Chair: as long as it's an accurate reflection of what was said. If not, then we need to find compromise language or bring it here and we'll make a decision, even if it includes a vote as to what we'll go with. Again, where we have something we can count on, when most people agree on the same numbers, especially if they disagree on what ought to be done from here.

Mr Galt: A question, Chair.

The Chair: Go ahead.

Mr Galt: I questioned the mining organization, whatever their right handle is, when they were in about if they dropped it from 20% to 12%, or if we dropped it for them, how many jobs that would create, and it was my understanding they were going to do some looking at that. I guess we've never heard back from them?

The Chair: I never received anything.

Mr Galt: That would have a significant effect on the Minister of Finance, possibly, if they had those figures.

The Chair: Nobody else has received anything.

Mr Galt: That's fine. That would be consistent with Quebec, from what we were being told. If it created a large number of jobs, the Minister of Finance just might go for it. I had the feeling they were going back to look, but maybe I'm wrong. Anyway, thanks.

Mr Arnott: Those are the only changes we want to recommend to page 10.

Turning to page 11, the very top of the paragraph, we're into the discussion of the Early Years Study and Fraser Mustard's work. Ideally, we on the government side would like to see some recognition of the fact that the 1999 budget committed up to \$30 million annually for the early years challenge fund by the year 2001-02 to match business and community contributions to early child development programs, and reference also to the five demonstration projects which have been set up throughout the province to support early child development and parenting. These projects demonstrate how to bring business, voluntary and charitable organizations together to support early child development.

Getting back to your consistent point, Dave, I think there was some recognition in the presentations that we listened to about the government's response to the earlier study. It seems to me there was.

Mr Christopherson: Before we put too fine a point to that whole thing, that's always the touchstone and I think we have to use what was presented, but if we're not careful, what will happen is—and this would be new; I don't know that it's necessarily helpful—but in the future each of us will be thinking of our report ahead of time and those groups that we might have a close tie to, asking them to bury that in there so that we can have the argument about the content of the generic summary of

what we heard versus putting all of that in our government report.

I appreciate what you're saying. You've raised it. It's not here, and normally I would object because it wasn't heard. I think you're saying it was heard. But clearly what it's meant to do is to provide a different perspective; by the time the reader has finished the paragraph, an attempt to put the government in a better light. That's your job, and I understand and respect that, but that's not what this report is.

So as much as I'm arguing it's got to reflect what we heard, just because we heard it doesn't mean we have to put it in the report. Just because we heard it doesn't mean we reflect it. Somebody could have come in out of the clear blue as a citizen and said, "Inflation's going to be 25% next year." Would we include it? Probably not, for good reason.

I point that out because I think you're in the same area again in terms of trying to reflect a different outcome by the reader. Yes, your memory is possibly right that it was said by someone, but what it's going to do is force us into negative votes when we're almost through the document.

Mr Arnott: Could we at least have our research staff check to see to what extent people acknowledged the efforts of the government in this regard?

Mr Christopherson: Ted, I caution you, if you're going to do that, then maybe we are going to meet the rest of this week, because I'll go back in every one of these categories and I'll check my papers and find something that somebody said and ask that that be put in there just because it was said.

You've really got to be careful. You're going to get your chance. You're going to get your report. You've got the vote; that's a given. We're not squealing about that. But given that we are trying to have this report reflect the demeanour that the total committee tried to present as we moved around the province, which was, "We want to hear from you, we want it to be even, balanced, fair; give us your thoughts, give us your hits," if you will. I think your folks have been a little overeager here in terms of wanting to do what they want to do in their report and spilling it over into this.

Mr Arnott: Reading what's there already: "Private and broader public sector groups spoke positively of the report of Dr Fraser Mustard and Margaret McCain entitled the Early Years Study and called on the government to pay close attention to its recommendations." The government has responded in a number of ways, as I outlined earlier, to this report, so I think it's germane to the discussion, even if there was one sentence which acknowledged that.

Mr Christopherson: Which acknowledged what?

Mr Arnott: The government has responded to this report by implementing a number of demonstration projects.

Mr Christopherson: Come on. That's pretty political, Ted. It sounds like a news release. In fairness. Right? Because you could also turn it the other way and say, "In

spite of the government doing this, it's still a disaster," if you like that. It still contains the information you want.

Mr Arnott: What do you think, Doug? Tina?

Mr Christopherson: We're close. We're at page 11. We've only a few more to go. You guys have got the power; co-operation you have to buy.

Mr Arnott: I want to co-operate. I still think it's a reasonable thing to include, but if you object, we'll concede that point.

Moving on to page 11, the entire section on post-secondary education, ideally we would like to see some reference to the programs the government has committed itself to and is presently delivering in terms of post-secondary education support to students: the Ontario student opportunity trust fund, for example, the Aiming for the Top scholarships, and the grant program which forgives student loans above \$7,000 per year, all of which help to ensure that post-secondary education continues to be accessible for all students who are qualified to participate in post-secondary education.

Mr Christopherson: That sounds like a statement we might make—

Mr Arnott: Another press release?

Mr Christopherson: —he says facetiously. Come on. This is easier to take when you don't keep a straight face when you're presenting. I realize you've got to do what you've got to do.

Mr Arnott: Again, I think it would improve the report to include those facts.

Mr Christopherson: I'm sure you do.

Mrs Molinari: I have a question. The report, once it's completed, the inclusion in this report, is it only the presenters or is it also our common discussion and comments that we've made in response to the presenters? If it's to include some of the comments that we've made in a presentation, certainly this is one of them that was clarified for some presenters who were not aware of some of the programs.

The Chair: My interpretation of committee reports, and I stand to be corrected, would be that we would report on what presenters told us as it pertains to north-western Ontario or education or health care. There might be some commentary, some discussion between the presenter and the party in power or the opposition or the third party or whatever, but I think the role of the committee is to report to the ministry the concerns and what we heard. That's the way I would look at it. I stand to be corrected on that.

Mrs Molinari: Further to that, then, when we engaged in questions and in comments to the presenter's report, there was an acknowledgement of some of the comments that were made or a denial of those comments that were made either by the government or the opposition side. So is that not something that should be reflected in the report?

1350

The Chair: You bring up a very valid point. We discussed figures a while ago; I can't remember on which page. On page 9, I think we were talking about 160,000

or something, and somebody said it was 160,800. Maybe if a committee member had challenged a presenter that the figure was not totally accurate, for the record we probably should have incorporated 160,800, but if the presenter is not challenged, I think we have to go by that particular figure.

So with regard to some of the statements, it may entail going back to some of the discussion that occurred if there was some correction. But again, Mr Arnott's point is that he wants to introduce Aiming for the Top scholarships, and I don't recall if that was discussed.

Mrs Molinari: With due respect, Mr Chair, I do recall bringing those issues forward when presentations were made with respect to the funding for education, and post-secondary education in specific, that there were a number of things the government had done and implemented to take care of some of the concerns that were expressed. If you review Hansard, you'll see that I did raise some of those issues.

Mr Christopherson: If I can, Chair, I agree. The point is well taken. But again, I think there's a difference between what the report suggests we heard overall, to try to get a feel for it, versus the interplay between members and presenters. That's why Hansard is there, and we're not trying to replicate Hansard.

Again, it's actually surprising we can get this far, given the diversity of thought between the three parties that are here and just the massive amount of information that we heard. I know it's difficult. Maybe you could appreciate, if you were sitting over here, that I'd like to see it loaded up with a whole lot more anti-government stuff. A lot of it was said and isn't reflected in here, but that's not the purpose of this document. Our document will do that. You know that and I know that. Yours is going to put the best light possible on the government and you can do whatever you want with it. But again, we're trying to find a document here that we can stand behind, and every time you folks take that next step, it creates a problem.

Mrs Molinari: I appreciate that, and in the spirit of co-operation my questions are more for my own knowledge as to how we put together this report. I need to understand what I can argue a point over and discuss. If in fact our comments and our clarifications to the presenters were acknowledged or denied, then that should be reflected in the report. Otherwise, if you've got presenters, they can say all kinds of things and they would be included in the report.

Mr Christopherson: So you're suggesting that your comments fit into sort of the exemption that the Chair mentioned, that somebody said something and it was refuted?

Mrs Molinari: I believe putting in the fact that there are a number of things—the Ontario student opportunity trust fund, Aiming for the Top and these things were brought into the discussion to clarify some of the issues that were brought forth in the post-secondary panel, and it wasn't disputed by the presenter. I'm not trying to be

argumentative. I'm trying to understand the process here so that I can better participate.

Mr Christopherson: It's not clear, and that's why you're having difficulty and we're sort of groping along step by step as we go.

There isn't a really clear formula. Anything really could be in and anything could legitimately be out by majority control, which is you folks. The fact that you're trying to reach a consensus around this document means we all have to approach this differently than just in a partisan fashion. I realize that you would love to have details in there that refute things, but I think anybody who really watched the presentation would argue and agree that most everything we heard from the educational side of things was not very positive. That's just the reality. I think, if you take what's here, you've done quite well in terms of the way it comes across.

But if I could raise another point, maybe as an extension of that, Chair, we're very close to the end anyway, but I've got to tell you, I'm still not clear at this point whether we're looking at four reports, whether it's one report that hopefully we will all endorse with three reports attached. Is it going to be three reports, which is one committee report that has the majority government position with two minority reports attached? That's kind of the one I prefer, which is why I've made the argument that this is important, but after the government adopts their own majority report, this becomes relatively moot in terms of it being a written summary of the key things that we heard.

Without that, I think it's hard to answer your ultimate question. If you go the latter way, sort of the one that I prefer, where the committee report is one that we will vote against, the official opposition will vote against, you'll carry with your majority, and we'll attach our minority reports, it is the easiest. You could spin everything you want for as long as you want and go for it.

It's only in the context of this document, and again I make the point—not to make the researchers' work seem like it's not important; it's been an important part of the process. But at the end of the process, personally I would give it the same status as individual reports that we heard. It's important; it's there to be looked at. I think it says something if we can agree on what some of the factual points are. However, for the purposes of the public looking at us, they'll want to see: What does the government say, what do the Liberals say and what do the NDP say?

The Chair: For clarification here with regard to report writing, I'll quote section 129, (a) to (e):

"(a) The report of a standing or select committee is the report as determined by the committee as a whole or a majority thereof.

"(b) No minority report may be presented to or received by the House.

"(c) Every member of the committee other than the Chair shall be permitted to indicate that he or she dissents from a particular recommendation or comment. The

committee shall permit a member to express the reasons for such dissent in an appendix to the report.

"(d) The Chair of a committee may establish a reasonable deadline for filing any dissenting opinion with the clerk of the committee."

We talked about that this morning, and that's to be done by March 21. I don't think you were here, Mr Christopherson, so if you'd like to write this down.

"(e) The report as agreed to shall be signed by the Chair on behalf of the committee and shall be presented to the House by the Chair or by another member of the committee authorized by the Chair or the committee."

So it's my understanding that there would be one report with appendices attached to it. That's my understanding.

Mr Christopherson: Right, which will of course in reality be a reflection of the government because it will be the majority, and I don't think I'm going out on too much of a limb to suggest we'll probably vote against it.

In terms of what you've just said, Chair, I don't think it argues against my point that this draft becomes a reference point of the summary of all that we heard and need not necessarily, and likely will not, be what the committee ultimately adopts. Certainly, hearing from Ted, it would seem that even if you went with this as a template, there's a lot of stuff you're going to want to add at the end of the day; it'll be a different kind of report.

To go back to Tina's point, it's really not so much, at the end of the day, did anybody say it? That's an important point for us to clarify, but just because it was said doesn't mean it necessarily has to be reflected in here, and at some point—it can't be totally anti-government; you're never going to support it. It can't be totally pro-government; we won't support it. So somewhere in between is where we're all trying to find ourselves.

Mr Arnott: In relation to Tina's point, I think she's quite right that the dialogue that takes place with the presenters and the witnesses can lead to information that would be very important to contain in the main body of the report, or the recommendations that might be put forward by the opposition parties or the government side. But I think, Dave, you're quite right too that there may be some stuff that you would want included in the body of the report that we can't accept.

Mr Christopherson: I didn't come in here with all that stuff, right?

Mr Arnott: We might want to vote that down if it came to a vote. But in the spirit of co-operation, I think we're trying to talk this through, and that's a good thing.

My understanding is of course that there's one report and it represents what we heard, based on our broad agreement. I suppose if we could have some sort of motion saying that we all agree that this is a fair representation of what we heard and then the recommendations in the next part; we may have different recommendations than you would want to see in the final report.

Mr Phillips: We can do whatever we want to do, as they say, but in the past we've done this: The first paragraph is an introduction and it says, "This report is a summary of the information received by the committee during the hearings."

Mr Arnott: What year's report is that you're quoting from?

Mr Phillips: This is 1998. This is the last one that was done, but I have a feeling, without looking at 1996-97, that there would be a similar paragraph.

Mr Arnott: We've got 1997 over here.

1400

Mr Phillips: "The report is a summary of the information received by the committee during the hearings. It has been prepared on the basis of the information presented by the Ministry of Finance, ministry staff and invited witnesses. It excludes information on the 1998 budget," blah, blah, blah.

As I've been listening to this debate, I've been trying to say, "All right, does what we're putting in this report reflect what we heard by the minister, the minister's staff, and witnesses?" At the end of the day, as they all say, for that part I can say: "Yes, it's a fair compilation. I don't agree with everything in there because I may choose to disagree with witnesses, but that's what we were advised."

Then in all likelihood we will have difficulty supporting the recommendations that might come forward. So I would be saying to the public: "The first part of the report we felt was a fair compilation of what we heard; not everything, and I don't agree with everything, but that represents a good summary. The recommendations," as I suspect will be the case, "we had difficulty with, so we submitted a dissenting opinion." I think that's what we call it, if I'm not mistaken, Mr Chair, and the dissenting opinion would say, "We believe that there's a different set of recommendations that we should follow."

That's what I kind of thought we were doing. Therefore today, unless it's clearly not something we've heard, I won't get everything in here that I wanted, but none of us will. I don't know what 1997 said. I don't know whether that was a similar paragraph.

The Chair: The 1995 has a similar paragraph. I think most of them have. It's based on some of the—as you quote.

Mr Arnott: I'm not suggesting we depart from that established routine, Gerry.

Mr Phillips: I was just responding to Dave.

Mr Christopherson: It's good to hear this discussion, because it still leaves me unclear as to exactly where we are going. If we go with that alone as a fresh starting point, then all the things you wanted to put in here, Ted, and all the things your folks didn't even put on your list that you might ultimately want, when it's not necessarily a mode of co-operation—where will all that happen? When do those amendments take place? Or is this it; once this is done, that's it, your work is finished?

Mr Arnott: No.

Mr Christopherson: What are you going to do?

Mr Arnott: We've gone through page by page, and I put forward some suggestions. You agreed to some and you rejected some, and we conceded some of those points. I would expect that the researchers are now going to rewrite the draft report into a final report, or at least into wording that's acceptable.

Mr Christopherson: Where were you planning to reinstate the things we didn't agree on today?

Mr Arnott: I think you have suggested that that might be something we would want to put in the government recommendations. That's something we might entertain. I don't know.

The Chair: To clarify, Mr Christopherson, if we look at the 1995 report, appendix A was the report of the government caucus, appendix B was the dissenting opinion of the Liberal Party and appendix C was the dissenting opinion of the Progressive Conservative Party.

Mr Christopherson: Right, and that makes the most sense to me.

The Chair: So you would have three appendices. If the recommendations he might bring up during the discussion this morning and this afternoon are not consented to, they would probably be presented in the appendix report of the government caucus.

Mr Christopherson: So at the end of the day there are four documents.

The Chair: One document with three appendices.

Mr Christopherson: Yes.

Mr Phillips: That's fine. If my memory serves me right, 1995 may have been an unusual year in that the Conservatives were not in power then. We may be better to look at 1996, 1997 and 1998. I think there will be two choices for the government. One is to simply submit recommendations and word them in a way that captures the concerns of Mr Arnott, or have three appendices. The three appendices seem odd to me. There is no official report and dissenting reports; there are almost three dissenting reports, if you follow me.

The Chair: We can do it differently. For instance, in 1998 we had appendix A, special witnesses; appendix B was the witness list; appendix C, Liberal Party dissenting opinion; and appendix D, New Democratic Party dissenting opinion. I'm willing to entertain whichever way you want to proceed with it. I thought that in some of the discussion we had, if we had a report we could consent to and then an appendix from each side—but I can entertain whatever the committee wants.

Mr Phillips: Right now my feeling would be that we have the first part, the body of it, in a way that we can all say, "I can agree to that." You can almost assume there will be a Liberal Party dissenting view, which will be several pages long. Then I think it's up to the government members to decide—I have a feeling it would be awkward to have a dissenting opinion from the government caucus. It would be more appropriate that you have several pages of recommendations, and in those you incorporate the issues that aren't in the body, what we are talking about right now. My vision would be a summary of the witnesses, a section on the recommendations with

whatever editorial comment you want to put around them, and that would become the report, with maybe a witness list. Then there would be two dissenting reports from the Liberals and the NDP. That would be most logical, I think.

The Chair: Mrs Molinari.

Mrs Molinari: I'm trying to understand how this all plays out, and my confusion is around not being able to include some of the comments we made in the discussion. I don't see the purpose of our having our time to discuss or question or make comments when the witnesses present if none of that is going to be taken into consideration in the compilation of the report. If some comments and statements that witnesses make are not true, it is incumbent on the government to clarify that for the purpose of discussion and for the purpose of being included in the report, since we don't have an opportunity to have a report as both the opposition parties do. The Liberal caucus has its opinion on the report, and the NDP caucus will have its opinion on the report. The government doesn't have another paper that can clarify what is in the report, and so we are at the mercy of reaching consensus here on what gets put into that report. I'm trying to understand what the purpose is, what role we play. When witnesses come and speak and we clarify or ask questions, what's the purpose of that if it's not for inclusion in the report?

Mr Christopherson: Two things. First, with great respect, just because any of us counters something that is presented doesn't automatically make it factually the truth. It may be subjectively the truth as we see it, but there's no guarantee it is universally accepted as the truth. Secondly, I entirely agree with your first point, which is why I saw it differently. But I'm prepared to be very flexible; the third party is not going to wag the dog here, as much as I might like it to. I think your point is very well taken, and I didn't see it that way at all, and I'm glad you are raising it sort of on behalf of your side. Because if your opinion is held back and watered down by virtue of trying to reach consensus, and then we can go full blast in dissenting reports, where is your right to make political statements? That is why I didn't see this, and then just two dissenting reports, as being where we would be, quite frankly. I didn't think you guys would accept that. If we end up there, great, we've silenced you to a great degree.

Mrs Molinari: That's right.

Mr Christopherson: It's true, and it wouldn't take a rocket scientist to see that, which is why I think I'm closer to where Gerry is, although not entirely. At the end of the day, this gets supplanted by a political document that you are pretty much doing and supporting, and we are disagreeing with it. Whether we like it or not, it's very rare that the majority opinion of any committee is anything other than what your government wants. That's how majority governments work. We had the same right, if you would, when we were in power. So I still remain unclear as to how we do this in a way that is fair. I'll just articulate again—and if it needs to get shot down so be

it—that I saw this as a sort of piece of the last piece of our collective work where we were working as a group, as a one-entity legislative committee on behalf of the people to allow an airing of what the budget ought to look like from the point of view of those who came forward or who made submissions. That is completely different from the political document that becomes the final report. So when I heard that this report might form the first piece, with other pieces added, the only way to really do it is to add a government point of view as well as two opposition points of view. But as Gerry rightly points out, if you're going to do that, then really the committee, as much as we might not like the definition of the committee, which is the government's opinion, is non-existent. So I really think we need to nail this down, because it's crucial.

1410

The Chair: You have raised a very valid point, and maybe it is my fault, prior to giving directions to the researchers, that we did not give them direction exactly or clearly as to what they should report on. I can't exactly recall the discussion we had, but certainly the direction was to report on what we had heard in the committee.

You bring a very valid point. If somebody raises an issue that is not quite accurate and somebody challenges or corrects the accurateness of the statement or the figures or whatever the case may be, maybe that should be part of the report. However, it's really up to the committee to decide what we put in the report. It's not my decision. Maybe I erred in not asking the committee to give the researchers a clear, concise description of what should be included in the report, but it's up to the committee to decide as a whole what you want incorporated. That's not my decision. Mr Galt, you had your hand up.

Mr Galt: If we could simply flag this—I'm talking ahead of time now for another year—that maybe one of the first things that should be discussed by the committee is how the report will be formulated, identifying some of the concerns coming out of this discussion. It's not something you'd think of ahead of time, but it's fresh in our minds now, so if some of these issues were brought out and put before the committee to make some decisions ahead of time, it might make it a little easier for the author to write it. Now we're thinking of our own positioning and our own agenda and getting a little hung up with that in the debate, but we might be more objective prior to heading out on the road and thinking through the kinds of questions we would ask for information to go into the report. I'm just suggesting that it be flagged for next January or maybe a little earlier—we might get started in November—that it might be discussed by the committee in advance.

The Chair: I think it's a very valid point, because we've spent a fair amount of time discussing that particular issue.

Mr Phillips: I'm actually quite comfortable where we are. The exercise we've gone through is that we're the public hearings on the budget and we've invited a bunch

of groups to come and give us their advice. I think you gave the right direction, which is that we need a summary of what they said. We don't need a summary of what we agreed with, we need a summary of what they said, without our own interpretation of what they said on it. That's what this first section is. As we look at next year as well, Doug, right now I would think we should do the same thing. After that, it's over to the committee as to what interpretation we want to put on those witnesses, plus our own judgment on what advice we want to give the Minister of Finance for the budget.

I think that has to be one report that has, if we want, dissenting opinions, but I don't think it can be a Conservative-Liberal-NDP. That essentially defeats the purpose of an all-party legislative committee; that they're not really an all-party legislative committee, they're then a committee of the parties, if you will.

I can predict confidently what we will do, which is write a report not unlike what we've done in previous years. It's then up to the government caucus to do either just recommendations or recommendations with some editorial comment that allows you to get on the record the interpretation you want to put on the recommendations.

I'm back where I started. I'm quite satisfied with the first section as we're proceeding, that it will be, as best we can, a compilation of the witnesses. Then it's over to the committee to put forward the recommendations and deal with them.

Mr Christopherson: I said I'd keep an open mind and I do. Gerry has now convinced me that I disagree with him. That's what that did. I don't know. I'm thinking about it, Gerry, and to others. The notion that on this diverse a question of virtually everything in the province we can find consensus on some reflection of what was heard, not even that we agree but the fact that, out of everything that was said, we agree that these things best reflect the opinion and thought of what we heard, to me that's a major achievement. What normally happens around here in these kinds of things is that right off the bat we lock horns and we all go our different ways and then you hold a whole series of votes and it becomes very partisan. Yet if we can all agree on a 14-, 15- or 16-page document and then deal with our political differences after that, we may have actually improved the product we are delivering to both the government and the people.

I have a lot of difficulty even supporting this. For me, it's going to depend on how we word the motion. Therefore, that will reflect on the kind of process we are doing. But there is only so much support I can give to this document, because from where we are coming we would have put a lot more emphasis on other issues. Rather than the tax cut issue, we would perhaps have talked a lot more about health care and child care, and made those more important by putting them higher up in the report and dedicating more space to them.

Again, in the interest of trying to reach consensus around a series of facts that would be useful in terms of the work we do for the people of Ontario, I was prepared

to sort of: "That's not the end of the world. I can live with that. We'll do those things in our report." But you move away from the concept that this document reflects consensus. Whether it's the introductory part or whether it's just part of the record and the government's desire is clearly the first section matters not to me; what matters is that if this is going to form the part of the report where we all agree, then it would make sense to me that all three of us would get a crack at saying what we want to say politically about these issues.

Mr Arnott: But don't you get that opportunity in your dissenting opinion, if you choose to do one?

Mr Christopherson: Yes.

Mr Arnott: Right.

Mr Galt: I understand that the only place we are going to get any opportunity to put in our political viewpoints is in the report itself, because you can't have a dissenting report from the government. The two opposition parties get the opportunity to put forward their partisan viewpoints in their dissenting reports.

Correct me if I'm wrong. We seem to be struggling for a consensus, which lacks the ability for the government to put their views into the report, because we can't have a dissenting report; at least it doesn't make sense.

The Chair: But in the part where you are dealing with the recommendations, you would introduce the government's position or challenge something they may not agree with in the report, and that would be part and parcel of the final report.

Mr Galt: When I look back at 1997, they have a list of 11 crisp recommendations. There are no political overtones; it's just straight boom, boom, boom, boom. I haven't read them in detail, but they don't come in with some of the rhetoric. Are you suggesting there should be a chunk in the recommendations, like an intro to the recommendations, which would be our political position?

Mr Christopherson: When I started this morning, I was going on the assumption you were at the beginning, that there would be one report, it would be the government's opinion—

Mr Galt: Yes.

Mr Christopherson: —and you would literally ram it through, probably in one vote. We would just say that we disagree with the whole thing, maybe make comments about it—

Mr Galt: Oh, far be it from us.

Mr Christopherson: —take one vote, straight up and down, and then we would attach our dissenting reports. But that has started shifting now, and it certainly changes my strategy in how to approach this.

Mr Arnott: I'm not sure where we're going. It seems to be going around in circles to some degree.

Mr Christopherson: Yes, we are.

Mr Arnott: We have this established procedure that Gerry has pointed out a couple of times, and, having been a long-serving member of the committee, I think he has characterized it very fairly. This is the 1997 report, you have the 1998 report and somebody has the 1995 report. If you go through it, there is some sort of outline, broadly

speaking, which attempts to characterize fairly what the committee heard. Then there is a page that says, "Recommendations" and, "The committee recommends the following," and there are 11 things there. I assume that a motion was probably put before the committee—

The Chair: But you would have to vote on the recommendations.

Mr Arnott: —and that the majority of the members present supported it. Then, of course, those who didn't support the motion filed minority opinions, and that comprised the report.

What we were trying to do today was offer clarification that we thought was required on certain points.

Mr Christopherson: No, you were trying to spin it and doctor it.

1420

Mr Arnott: We tried to put in a few germane points that we thought would be of assistance to people that fairly characterized the government's actions in some respects. Again, on some of those points I think we agreed, and I think the research staff understand that and are going to make those appropriate changes. On others, for our part, we conceded your point that it wasn't useful to include that in the report. That's what I recall happened this morning and it went very well.

We're almost done. I've got one more point I want to make relative to page 13 and then we're done with that part of it. Before you came this morning, we had decided that the opposition parties, in the event that they wanted to present a dissenting opinion, would have two weeks from tomorrow to file it with the clerk and that would become an appendix to the report, if I'm not mistaken.

Mr Christopherson: Ted, can I just pursue that?

Interjections.

Mr Arnott: Do you have a problem with anything I've said?

Mr Christopherson: In that context, then, Ted, and I don't have a problem with anything you've said, but you said earlier, when I raised it, that yes, we will look at getting in these points that you wanted to make here, that were rejected, somewhere later on.

Mr Arnott: All right. I don't know if I said that. I think you suggested to me that might be appropriate to put in the government's recommendations, if you want.

Mr Christopherson: Is that where you saw it then, just in your recommendations of our recommendations?

Mr Arnott: I think it was useful to have the discussion on the issues this morning. I would stand by what I was saying before, and it has been repeated numerous times now, that it would be helpful to have that information in the report. But again, I think it's important that there be some agreement around the main body of the report, the presentation of what we heard. I think we've had a good discussion on that and you've accepted some of the points I've made. I think we've tried to listen to what you've had to say and be cognizant of that as well.

Mr Galt: I have some problems. The consensus of the report I think is great. I think that's an ideal route to go,

and then the government has their recommendations. Where I have difficulty is when I look at the dissenting report. If they were clear recommendations only, without all the other rhetoric, then I think the consensus is just great. But when you put in all the other stuff around the recommendations, then that's an unbalanced report because it's giving all of the political positioning of the two opposition parties. If they were clear-cut, sharp recommendations, I think it would be a great idea, the consensus as we've been working. But that isn't how I see the dissenting report. In the New Democratic Party's it's a one-pager in 1997, with six recommendations, I gather, whereas in the Liberal one it goes on for pages and pages—nothing nasty, it's from page 1 to page 17 and then there's 18 on the back. There are a lot of graphs and stuff; it has to be a lot of political rhetoric and not recommendations. If it's pure recommendations, I have no problem with the straight consensus of all three parties, but when the dissenting report has more than recommendations, then I have some difficulty here.

The Chair: But in some of the discussion we had in the subcommittee, and I know in some of the discussion I had with the researchers, we wanted to maintain the report as concise as we possibly could without having reference to, "So-and-so said this and so-and-so said that." We can refer to it when it calls upon referring to that particular group, like we've done this morning, and if you have a report of 14 pages and the dissenting report has 30 pages, then the people who are going to read this report are probably going to say, "Why is that?" On the converse, if you have a concise report, it's probably going to entail that if you've got a dissenting opinion, the credibility of your report—if it's twice as long as the report, if I were to read it, and I'm trying to maintain my objectivity here, I would say, "What is this all about?"

Consequently, having said that, I don't know what the problem is, really, except that maybe we should have given, and I probably should have given, the researchers more direct direction initially. But if we proceed in the manner we have gone so far, if the government introduces the recommendation, and those recommendations are going to have to be voted upon, and then with the dissenting opinion attached to the report as appendices—

Mr Galt: Chair, I have another suggestion that might help control the length of the dissenting report. If we were to charge per page for the insertions into the report—

The Chair: That's beyond my control.

Mr Christopherson: Anything to stifle democracy.

Mr Galt: We've been hammered a lot about user fees, and I would think this could be a user fee on the part of the Liberal Party, so much a page for putting it in.

Mr Arnott: Think of the trees you'd save.

Mr Galt: It would be environmentally friendly, help preserve trees.

The Chair: It brings us back to the point where we started.

Mr Phillips: I can live with anything we want to do. I'm not unhappy at all. I thought Mr Arnott was attempt-

ing to be accommodating to all of us, to have this first section one where we can all say, "I can agree that represents the witnesses, maybe not with the right emphasis that I might like, nor do I agree with what the witnesses said, but that represents the witnesses." I personally wouldn't mind finishing that off, and all of us can say to whoever wants to hear it, "That doesn't imply that I agree with what they said or that it's totally complete." Then I think it is somewhat up to the government if they want to accept that.

If you don't feel you've got a place to express your editorial views on some of this, that you feel a little bit, "Gee, we're forced to just have recommendations and then the opposition can put all sorts of editorial comment on," I think there's a way you can editorialize around recommendations if you want to do that.

Then on the dissenting report, if we do one, and of course, it'll depend on the recommendations—

Mr Galt: You used up enough pages last time.

Mr Phillips: In that I tend to have to write it, I have no interest in too many pages. So I would undertake to be as concise as possible.

Mr Chair, I'm in your hands. I, for one, don't mind at all the advice you gave the staff. In fact, from my perspective, it was the right advice. I would feel very comfortable finishing this off and then saying to the government, "Now can we see your recommendations?" and then maybe come back tomorrow with your recommendations, if that's appropriate, with whatever editorial comment you want. Again, my experience is that we could spend a lot of time debating the government recommendations, but in the end we in the opposition would have difficulty agreeing to them all, so we'd say, "Listen, we just have difficulty agreeing to them all, and we'll put our own recommendations in."

1430

Mr Christopherson: For the record, only because you've mentioned it a couple of times, Chair, I agree with Gerry that you weren't incorrect in the way you approached this. I think, had you attempted to do that on your own or with the committee, you'd have gotten into some trouble. I think we needed right at the end of it to give the staff the direction, "Give us as generic, balanced and fair a reflection of what we heard as you can, period, full stop, and bring that back to us." So I would have had some concerns about changing that process. I only raise it because you raised it a couple of times. I think you and the committee did exactly what needs to be done vis-à-vis the kind of work that legislative research can provide to a body that's this political.

Mr Arnott: I think the staff have endeavoured to do that. What we've been trying to do this morning and for the last half hour is to suggest changes. Again, I think there has been consensus and agreement on some of those changes and others not. I'm comfortable with where we are right now, and I think we're following the established procedure that has been pursued by this committee in recent years.

I would like to inform the opposition members that I have in my possession the recommendations that I'd like

to move this afternoon, if we could get to that point and we could vote on those. I think it's established procedure that we would do that and certainly we're interested in receiving the opposition parties' dissenting reports. I don't think there's ever been a tradition that the length or the format of those dissenting reports would be in any way prohibited. I look forward to reading the dissenting opinions and I'm sure that if you want to make them 30 pages long that's fine with all of us over here.

Mr Galt: Provided they pay by the page.

The Chair: Do you think we can proceed and try to finish the initial report?

Mr Arnott: I think there's a chance, and I have the recommendations that our caucus wants to put forward for the committee's consideration, which I can table with the clerk at this time, and then proceed to make motions on each one of the recommendations individually, if that's OK with you, Mr Chairman.

The Chair: What you're suggesting, Mr Arnott, is—let's say if we take the subject on the table at this point in time, post-secondary education—that you want to go back to a recommendation—

Mr Arnott: I have said as much as I need to say today to try and influence changes in the report's body. Right now, I've signalled my intent to move a motion to adopt these recommendations and would then, in turn, make a motion that these recommendations be considered by the committee and be included in the final report.

The Chair: OK. Before we go there, the researchers would like to bring a couple of issues to your attention.

Ms Campbell: If we're finished with the post-secondary section, I was wondering if I could direct your attention to the paragraph under the heading "Universities." The last sentence reads: "The two research-related government-commissioned reports" I was wondering if the committee would mind removing the word "the" from the beginning of the sentence and having it read, "Two research-related government-commissioned reports ... were commended to the government for consideration."

Mr Arnott: Agreed.

Ms Campbell: Then the paragraph under "Health," the first one at the bottom of page 11, the sentence reads, "Issues relating to health care generated many comments and recommendations from hospitals, nurses and those in the extended health system" Perhaps the inclusion of the word "care" after "health" would make it read a bit better.

Mr Arnott: Yes.

Ms Campbell: On page 12, the second paragraph under the subheading "Physicians," the final sentence there reads, "Consideration should also be given to implementing incentive programs with varied payment schedules recommended by Dr Robert McKendry in his recent report" I think that is a case of two thoughts being merged into one and it would maybe be more appropriate to read, "Consideration should also be given to implementing incentive programs with varied payment

schedules and to recommendations made by Dr Robert McKendry in his recent report ...”

Mr Arnott: Fine. Agreed.

Ms Campbell: Thank you.

Mr Arnott: Mr Chairman, I would therefore make a motion that the following recommendations be included—

Mr Christopherson: Sorry. That’s all the changes to the document?

Mr Arnott: —in the committee on finance and economic affairs pre-budget report:

(1) That the government should maintain its policies of strong fiscal management and continue to reduce the deficit and balance the budget by the fiscal year 2000-01.

(2) The government does not need a balanced budget to continually search for efficiencies in government. The government should be ever-vigilant to ensure that taxpayers’ dollars are spent wisely.

(3) Tax cuts are an important economic stimulus. The government should fulfill its commitment to further reduce personal income taxes, stimulate job creation, investment and consumer confidence.

(4) The government should continue its commitment to reducing red tape and eliminating barriers to doing business through the work of the Red Tape Commission and other initiatives.

(5) The government should commit to a strategy to reduce the debt once the provincial deficit has been eliminated.

(6) The best social program for those living in poverty is a job. The government should continue to promote policies that create a climate conducive to strong private sector job creation and solid economic growth.

(7) The government should continue programs that promote economic development throughout the province of Ontario, particularly in communities which have yet to achieve their full economic potential.

(8) The government should continue to support policies that assist small- and medium-sized businesses to build equity.

(9) The government should continue working towards province-wide tax fairness within the property tax system.

(10) In the interest of assisting youth employment and their employers, the government should continue to call upon the federal government to reduce job-killing employment insurance premiums to \$2 or less per \$100 earned.

(11) The government should work with other levels of government and the private sector, including small business, to encourage youth employment.

(12) The government should continue to call upon the federal government to restore their commitment to health care and post-secondary education by returning the Canada health and social transfer funding to 1994-95 levels, and by including a new CHST escalator clause which would take into account Ontario’s growing and aging population.

(13) The government should maintain its commitment to health care funding and continue to maintain a health care system that invests in priority services.

(14) Our children are our future. The government should continue to support programs and initiatives that ensure our children grow up in a healthy, safe and supportive environment.

(15) The government should support post-secondary education programs aimed at student assistance, as well as those programs aimed at reducing the level of student debt.

(16) The government should continue to find ways to ensure that more of the education budget goes to the classroom.

(17) The government should honour its commitment to capital infrastructure in the province of Ontario with the innovative SuperBuild Corp.

Mr Christopherson: Are you going to move them as one?

The Chair: I think they should be moved one at—

Mr Christopherson: No, I was going to say as a group.

Mr Arnott: I move them as a group. Does somebody have a problem with that? I assume the motion is in order to do it that way.

The Chair: So you’re moving them individually or as a group?

Mr Arnott: One motion.

The Chair: Any discussion?

Mr Galt: Unanimous approval?

Mr Christopherson: You might want to do a standing count on that.

Mr Phillips: I propose it should be a recorded vote.

1440

The Chair: Recorded vote. All in favour?

Ayes

Arnott, Galt, Molinari.

The Chair: Opposed?

Nays

Christopherson, Phillips.

The Chair: That carries.

I think we’ll probably need a motion now to adopt the report as presented.

Mr Christopherson: Minus the recommendations or with the recommendations?

The Chair: With the recommendations. Then it will be presented back to the subcommittee for final approval or for presentation to the committee after.

Mr Phillips: I think the staff needs that—

The Chair: That’s right. They need time to rewrite the report. So we’ll need a motion to—

Mr Christopherson: If you vote with the recommendations in, you’re going to get us offside. If you vote

for all the work we did, we lose all the benefit of what we did this morning. If you do it in two stages, we can at least give some credibility to the work that we did this morning in trying to find things we can agree on.

Mr Galt: I'd like to extend a motion of appreciation to David Rampersad and Elaine Campbell for the work that they've put in to packaging this report. They almost arrived at a consensus for all parties. I appreciated their efforts.

The Chair: All those in favour? That's unanimously approved.

Mr Galt: We finally got a motion that everybody agrees on. It must be the first time in my life.

The Chair: I stand to be corrected, because I'm certainly not an expert in procedural matters, but I would say that we probably need a motion to approve the report with the recommendations as a whole.

Mr Arnott: We don't have that until we see the final report.

The Chair: No, but the amended report so that it can be rewritten and submitted to the subcommittee.

Mr Arnott: Unless you empower the subcommittee to make that decision. Could we do that?

The Chair: Yes, we can do that. What about a motion enabling the subcommittee to pass a motion to accept the report? How does that fly?

Mr Arnott: This is just a suggestion, Mr Chair. What we're saying is that it's worthwhile to see if we can come to an agreement to create some statement at the end of the summary of the presentations that, in the unanimous opinion of the subcommittee, this is a fair representation of what the committee heard. That would maybe come at the tail end of the main body of the report, or the beginning perhaps, before you get into the recommendations that have now been adopted by a majority of the committee and the dissenting reports. If we don't empower the subcommittee to do it, we're going to have to have another meeting of this committee to pass a motion that says, "We agree with the changes that the research staff made relative to what was discussed this morning."

Mr Christopherson: The downside of that is that it provides the government members with a sort of veto, if you will, over the deliberations of the subcommittee, because they can always say, "I'm going to take this back

to the committee," so maybe building it back into the committee, and we all know it's in our schedules. If there's agreement, then the meeting will be over in 30 minutes; if not, then we'll have to tussle it out. You could ask that the work the researchers are doing on behalf of the committee and the report, as amended today, go to the subcommittee with one reference back for final approval by the standing committee.

The Chair: That's exactly what we're going to suggest. The changes have been minor in the report itself. So if it were to be referred to the subcommittee for approval after the report has been finalized by the researchers, then the subcommittee could vote on it. How does that sound?

Mr Christopherson: I feel silly raising this point, but I think the government would want to reserve the right to have their final majority crack at it. The subcommittee is two to one, and you'll have the right to appeal a matter if that happens. We can always cancel a committee meeting if we don't need it, but if we build it in now and agree there's going to be one—

Mr Arnott: The trouble is, we don't have the power to establish a meeting beyond Thursday when the House isn't in session.

The Chair: We have the next four days scheduled for that.

Mr Arnott: How long is it going to take for the staff to make those changes?

Ms Campbell: I would think a day.

Mr Arnott: Could we come back tomorrow and look at it again?

Mr Christopherson: Could you make it Wednesday?

The Chair: It has to be Wednesday.

Mr Arnott: I'm amenable to that.

Ms Campbell: We could have it on Wednesday with the changes marked in the document.

The Chair: Are we agreeable to that? We would meet here at 10 o'clock Wednesday morning. OK.

Mr Christopherson: Did you take the vote on the recommendations? I don't know if we did a formal recorded vote.

The Chair: Yes. It was a recorded vote.

We'll adjourn till 10 o'clock on Wednesday morning.

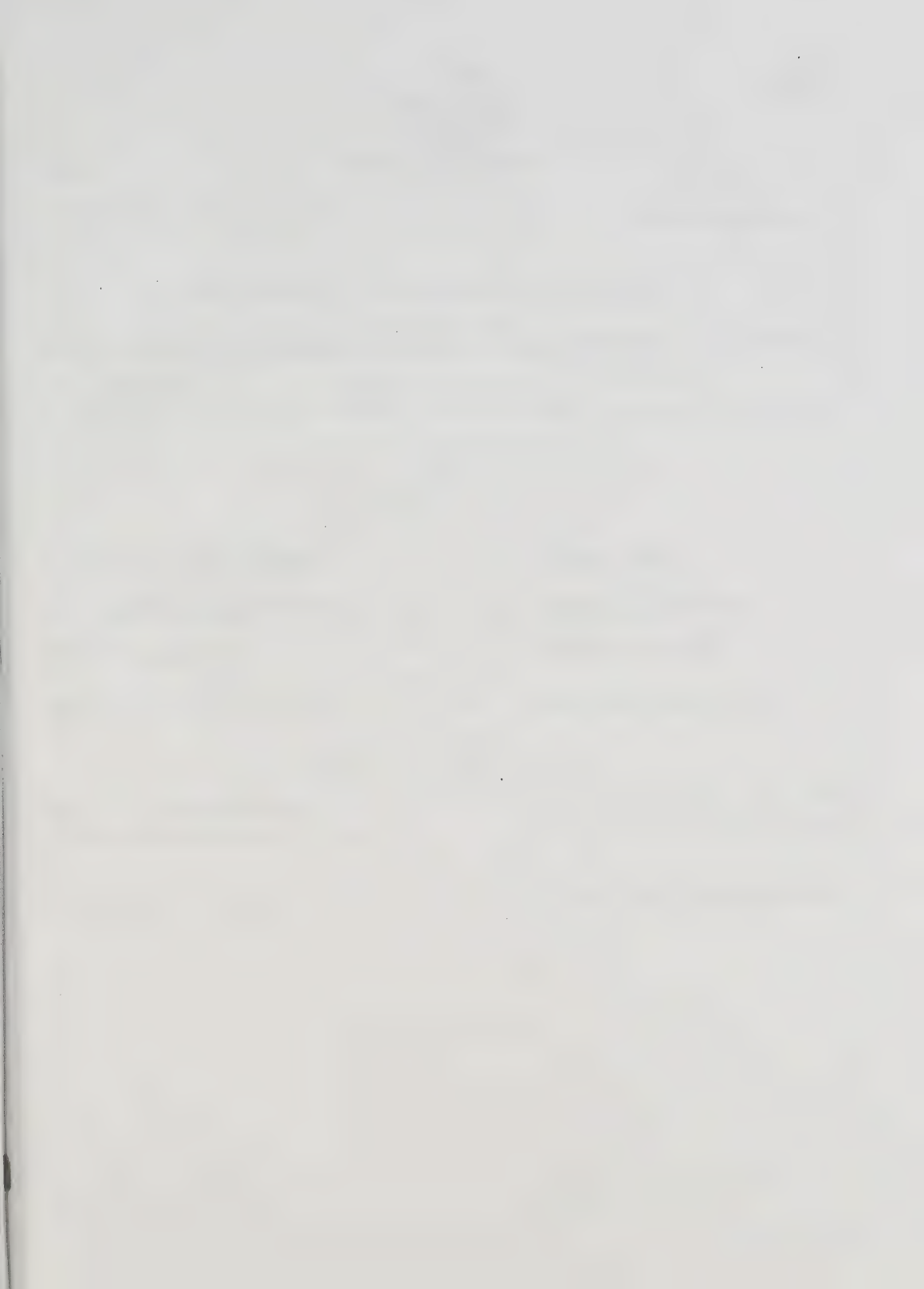
The committee adjourned at 1446.

ERRATUM

No.	Page	Column	Line(s)
F-12	501	2	50

Should read:

Mr Murray MacKenzie: Thank you for the opportunity to be here today. As



CONTENTS

Monday 6 March 2000

Pre-budget consultations	F-559
---------------------------------------	--------------

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Chair / Président

Mr Marcel Beaubien (Lambton-Kent-Middlesex PC)

Vice-Chair / Vice-Président

Mr Doug Galt (Northumberland PC)

Mr Ted Arnott (Waterloo-Wellington PC)

Mr Marcel Beaubien (Lambton-Kent-Middlesex PC)

Mr David Christopherson (Hamilton West / -Ouest ND)

Mr Doug Galt (Northumberland PC)

Mr Monte Kwinter (York Centre / -Centre L)

Mrs Tina R. Molinari (Thornhill PC)

Mr Gerry Phillips (Scarborough-Agincourt L)

Also taking part / Autres participants et participantes

Ms Marilyn Mushinski (Scarborough Centre / -Centre PC)

Mr David Young (Willowdale PC)

Clerk / Greffier

Mr Tom Prins

Staff / Personnel

Ms Elaine Campbell, research officer,

Mr David Rampersad, research officer,

Research and Information Services



Legislative Assembly of Ontario

First Session, 37th Parliament

Assemblée législative de l'Ontario

Première session, 37^e législature

Official Report of Debates (Hansard)

Wednesday 8 March 2000

Journal des débats (Hansard)

Mercredi 8 mars 2000

Standing committee on finance and economic affairs

Pre-budget consultations

Comité permanent des finances et des affaires économiques

Consultations prébudgétaires



Chair: Marcel Beaubien
Clerk: Tom Prins

Président : Marcel Beaubien
Greffier : Tom Prins

Hansard on the Internet

Hansard and other documents of the Legislative Assembly can be on your personal computer within hours after each sitting. The address is:

<http://www.ontla.on.ca/>

Le Journal des débats sur Internet

L'adresse pour faire paraître sur votre ordinateur personnel le Journal et d'autres documents de l'Assemblée législative en quelques heures seulement après la séance est :

Index inquiries

Reference to a cumulative index of previous issues may be obtained by calling the Hansard Reporting Service indexing staff at 416-325-7410 or 325-3708.

Copies of Hansard

Information regarding purchase of copies of Hansard may be obtained from Publications Ontario, Management Board Secretariat, 50 Grosvenor Street, Toronto, Ontario, M7A 1N8. Phone 416-326-5310, 326-5311 or toll-free 1-800-668-9938.

Renseignements sur l'index

Adressez vos questions portant sur des numéros précédents du Journal des débats au personnel de l'index, qui vous fourniront des références aux pages dans l'index cumulatif, en composant le 416-325-7410 ou le 325-3708.

Exemplaires du Journal

Pour des exemplaires, veuillez prendre contact avec Publications Ontario, Secrétariat du Conseil de gestion, 50 rue Grosvenor, Toronto (Ontario) M7A 1N8. Par téléphone : 416-326-5310, 326-5311, ou sans frais : 1-800-668-9938.

Hansard Reporting and Interpretation Services
3330 Whitney Block, 99 Wellesley St W
Toronto ON M7A 1A2
Telephone 416-325-7400; fax 416-325-7430
Published by the Legislative Assembly of Ontario



Service du Journal des débats et d'interprétation
3330 Édifice Whitney ; 99, rue Wellesley ouest
Toronto ON M7A 1A2
Téléphone, 416-325-7400 ; télécopieur, 416-325-7430
Publié par l'Assemblée législative de l'Ontario

LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
FINANCE AND ECONOMIC AFFAIRSCOMITÉ PERMANENT DES FINANCES
ET DES AFFAIRES ÉCONOMIQUES

Wednesday 8 March 2000

Mercredi 8 mars 2000

The committee met at 1001 in room 228.

PRE-BUDGET CONSULTATIONS

The Chair (Mr Marcel Beaubien): Good morning. It is after 10 o'clock, so I will bring the meeting to order. I hope that everyone has received a copy of the amended report. Is there any discussion on it?

Mr Ted Arnott (Waterloo-Wellington): Mr Chairman, shall we go point by point through the amendments that were changed so that all the committee members would be—

The Chair: I'm willing to entertain anything from committee members.

Mr Arnott: He appears to have highlighted these areas. I assume the ones that are underlined are the changes we discussed.

Mr David Rampersad: Yes, those underlined are the phrases that it was suggested we replace the existing phrases with. The existing phrases, the old ones, have been crossed out, as it were.

Mr Doug Galt (Northumberland): Chair, I haven't managed to get to my office since the last time we left here. Is there an extra copy?

The Chair: Yes.

Mr Galt: My apologies that I haven't studied it in great detail, but I'm sure I can catch up.

The Chair: We'll go through the report with the amendments.

Mr Rampersad: On page 1, in the middle of paragraph 3, the original draft said "GDP for 1999 as a whole was 5%." It was suggested that we change that to "is estimated to be 5%." The last sentence of that paragraph initially read, "It is estimated that GDP growth for the year 2000." It was suggested that that be changed to "Based on private sector forecasts at the time, it is estimated that GDP growth for the year 2000 could range between 3.7% and 4%."

In the fifth paragraph on that page, which begins with "The employment picture," the second sentence initially had read, "During 1999, 173,000 new jobs, mostly full-time, were created." We were asked to update that so it would read, "198,000 new jobs were created."

Mr Galt: Just for my help—I wasn't here for part of that morning. The second paragraph under "Economic Outlook" says that 90% of Ontario's exports go to the US. The figure I have always heard in the past was 80%.

I see you are shaking your head; 90% is the right figure, is it? OK. For some reason or other, I had always heard 80%, and it was one I had highlighted originally.

The Chair: I think we are only going by some of the figures that were given to us by, I think, the truckers' association—

Mr Rampersad: And McCallum.

Mr Galt: OK. I was just double-checking.

Mr Rampersad: A number of people other than the minister and the ministry had suggested that 90% was probably the appropriate figure.

Mr Galt: Closer.

Mr Rampersad: Yes.

Mr Galt: OK. Thank you.

Mr Rampersad: On page 2, the third paragraph, the first line read initially, "For the fifth year in a row the deficit target will be exceeded." It was suggested that be changed to: "For the fifth year in a row the deficit target should be exceeded. Ontario is on track to eliminate the deficit in the year 2000-01."

In the next paragraph, first line, after "\$1.1 billion," initially the sentence read "since the 1999 budget," and it has been changed to "over the 1999 budget plan" and the following sentence has been changed to reflect what the committee said. It should read, "Significant additional expenditures for the third quarter of the fiscal year 1999-2000 include a \$200-million increase in expenditure on the OPSEU pension plan, \$196 million for hospitals." Initially we had had "health" and it was suggested that perhaps "hospitals" was more appropriate. That was checked in Hansard and, indeed, "hospitals" was mentioned. The word "for" is to be replaced by "as a result of the Canada-Ontario social housing agreement."

In the paragraph after that it was suggested we delete the second sentence beginning with "At the same time." That has been done.

Page 3, under "Debt repayment": It was suggested that the opening sentence be changed to read, "Once the budget is balanced," instead of "Having achieved a balanced budget," because the budget has really not been balanced yet, at least not formally anyway.

In the middle of that paragraph, after "\$2 billion" initially we had "during," which has been replaced by "over," as the committee recommended.

Further down, under the heading "Taxes," second paragraph, first line, the phrase "it was pointed out" has been changed to "other witnesses have argued." The

second sentence has been changed to make it clear that these witnesses have continued to argue that social services could be jeopardized, as it were. The last sentence has been amended somewhat to read, "Some witnesses proposed that," to make it quite clear that presenters had made these proposals.

In the last paragraph on that page, the first line has been changed to reflect what the committee said so that we now have "Ontario's general personal income tax rate" instead of "Personal income taxes." As you can see, as I just noted, we should actually say "personal income tax rate has already been reduced."

Page 4: The first paragraph, the first line, the phrase "The marginal tax rates" was changed, amended with a qualification to "High top marginal rates." The third line was also changed to reflect that amendment, so we now have "top marginal rates," "they are penalized when the top marginal rates begin to be applied at the income level of \$63,000." Again, two lines down, we have included "top marginal rate" to reflect what the committee suggested.

In the following paragraph, second sentence, the original sentence was changed to read, "Among other things, the province is unable to introduce policy measures other than rate changes without federal concurrence."

1010

The first line of the following paragraph was amended slightly to read, "The Minister of Finance stated that the 'made for Ontario' personal tax system," instead of simply saying, "The 'made for Ontario' personal tax system."

In the following section, "Corporate Taxes," the correct name of the business tax review panel was actually given, as opposed to the initial name, which was not entirely correct.

On page 5, "Payroll Taxes," we clarified that the EHT has been totally eliminated for self-employed individuals and businesses with payrolls under \$400,000. Under the section headed "GST-PST Harmonization," the second sentence, it was made clear that witnesses argued that the current system created regretted compliance costs etc.

On page 6, since it was felt that the first sentence was perhaps inappropriate, it was deleted and the second sentence was amended to read, "Some witnesses were concerned that the introduction of the province-wide assessment system..." And toward the end of that paragraph, the penultimate line has been amended to take into account the changes suggested by the members of the committee so that it therefore reads, "it has resulted in a number of municipalities postponing decisions."

Mr Monte Kwinter (York Centre): There's a typo in there.

Mr Rampersad: No, that's a deletion; there's a slash across it. Perhaps it hasn't come out too clearly.

In the last paragraph on that page, entitled "Super-Build," it was suggested that the term "private sector investment" should be changed so that the sentence would read, "These proposed partnerships are the key to

leveraging government's initial investment of \$10 billion over five years to attract matching investment from the private sector and other non-governmental partners." And further down, at the end of that page, the last line, we were asked to qualify "education" by inserting "post-secondary" to clarify one of the priority areas.

On page 7, the section headed "Transportation," it was suggested that we indicate that witnesses had suggested that this indeed was the case. So I inserted the phrase, "It was suggested by one witness" that in the past, too many provincial transportation projects have been not taken into account etc. I inserted that phrase since I thought perhaps it might be best that—

Mr Galt: I'm really concerned about this transportation one. There is a part of Ontario that's east of Yonge Street. The corridors into the US being Windsor, Sarnia and Niagara Falls, Ottawa is closer to New York City, and we need some of that infrastructure in eastern Ontario. There is something east of Yonge Street. I think most people in Toronto have forgotten that there is anything out there.

The Chair: I think you make a very valid point; however, if you look at the presentations that were made in front of the committee, I don't think anybody talked about crossing east of Yonge Street. Really, if we're going—

Mr Galt: I just had to protest a little.

The Chair: I know. You make a very valid point, but really, to be fair, there was no discussion with regard to crossing—I don't know if east of Yonge Street is the right boundary, but I'll settle for that.

Mr Galt: Maybe in our new task force we can get that one sorted out.

Mr Rampersad: We turn now to the section entitled "Red Tape Commission," the second sentence. At the instruction of the committee the phrase "since its institution" was changed to "between 1995 and 1999." At the end of that sentence, initially we had "amended 149 others." In fact, the number of statutes amended is 150, so the "149" has been changed. We changed the phrase "approximately 1,300 pieces of outdated legislation" to read "more than 1,300 regulations that the commission considered outdated have been revoked." The last sentence was amended to indicate that the witnesses made reference to the commission—that "There was consensus that the commission be made permanent."

"Agriculture," the fourth sentence: Initially we talked about "The reduction of government support." It was suggested that we indicate "According to a number of organizations representing agriculture," so that the sentence has been amended to read beginning "According to a number of organizations representing agriculture."

Looking further down to the section "Trucking," questions were raised about the taxes, the total revenue from taxes, as well as the cost of diesel fuel. I was asked to check those figures. Indeed, those figures were mentioned by the Ontario Trucking Association. I clarified that sentence by changing it to read, "According to the

Ontario Trucking Association, the various taxes on the industry result in revenues of approximately \$200 million per annum," and then went on to talk about the price of diesel fuel being "approximately 176% higher than it was a year ago."

Further down that page, under the section entitled "Small Business," we had talked about venture capital funds. It was suggested that we clarify who made the remarks about venture capital funds, so the sentence has been amended to read, "According to representatives of small business, venture capital funds are appropriate for only a very small percentage of the sector."

Elaine Campbell will walk you through the rest of the report.

Ms Elaine Campbell: The first place to go is the top of page 10, under "Snowmobiling." I haven't added anything there, but there had been some discussion in the meeting on Monday about the need to elaborate on what the government has done with respect to funding assistance to the snowmobiling industry or activity.

I went back to the Hansard and found that there had been nothing specific said about the Northern Ontario Heritage Fund Corp or \$5 million. I had inserted the reference to the NOHFC for the purposes of clarification but there was no mention in the Hansard about the actual amount of money that the province was contributing to that particular activity. I guess my question is, do we just leave the paragraph as it is or is there a need to insert a direct reference to the amount of money?

Mr Kwinter: We've had this discussion about several other references prior to this. I think that my position, and the one that I would recommend, is that we do exactly what we've done in every one of them. If it was not mentioned at the hearings, I don't think we should be inserting it at this point. If the government side wants to, in their recommendations, expand on it and put all this information in from their particular point of view, I have no problem with that. This section of the report should reflect what was presented to us without any editorialization on our part. That's the position we took earlier and it's the position I think we should continue to take.

1020

The Chair: Any other comments?

Mr Galt: I'm not so sure I'm clear on it even yet. What I was hearing in Kenora was that the fees for the trail were non-competitive with the fees for Manitoba and North Dakota and possibly some other states that I don't recall. That was a concern they had, and the concern related to the fact that they were set for all of Ontario and then some of it came back to the local association. They were saying they wanted to have a lower fee in northern Ontario, at least that was a concern I was hearing, that they weren't being competitive. Was that not on the record somewhere?

Ms Campbell: It was. I took the liberty of focusing in on the items that were raised more often—and more clearly, actually.

Mr Galt: Having said that, I'm not so sure that setting those fees has anything to do with Ontario as a province,

if it was more to do with the association. As I say, I was never totally clear. It never got totally sorted out whose responsibility it was, but certainly they seemed to think it was a big issue up there because the snowmobilers were not coming in. When we hit Timmins—what was there? Forty snowmobiles in the yard. It was a big thing for the hotel that we stayed in that night. That was my concern from there and just how that fit in. I'm just expressing my concern.

The Chair: Are you suggesting there should be an amendment?

Mr Galt: I'm not suggesting there should be, because I'm searching for what the information really was. I'm not so sure it's a provincial responsibility, but it was a concern I heard from the snowmobilers.

Ms Campbell: I got in touch with the Ontario Federation of Snowmobile Clubs to get some clarification. I think, like you said earlier, Mr Galt, there may be another side to the issue. I'm not still not too clear on the politics of what is going on there, so I felt maybe it was better not to include that in there.

Mr Galt: I think, Mr Chair, probably just leave it as is. I've sort of expressed that that did come up there. It's something that, if anyone was in discussions with Mr Eves, might be brought forward at that time.

The Chair: Ms Campbell.

Ms Campbell: The direction is to keep things as they are.

In the next paragraph on mining, there are a number of items here. To begin with, in the first sentence of the paragraph, "Provincial Revenues" has been changed to "Provincial government revenues." In their presentation, the Ontario Mining Association reported that the mining industry contributes \$1.5 billion to government revenues, but they made that statement under the heading "Value of Mining to Ontario."

The number "160,000" has been changed to "106,800" in the first sentence of that paragraph. The latter number is what appeared in the Ontario Mining Association's presentation.

In the second sentence of that paragraph, "In north-eastern Ontario alone, over \$1 billion" has been changed to "In northeastern Ontario alone, approximately \$1.2 billion." The latter figure is what appeared in the presentation made by the Porcupine Mine Managers' Association.

In the fourth sentence, "Ontario mineral exploration experienced" has been changed to "Ontario mineral exploration expenditures experienced." The Porcupine Mine Managers' Association had made several references to expenditures earlier in its brief.

Also, in the fourth sentence of that paragraph, there was some concern over the use of the 36% figure. We were asked if the figure was maybe not 34%. I went back to the Hansard and I found that the figure 36% was what the Porcupine Mine Managers' Association presented in their brief to the committee.

When the Ontario Mining Association appeared before the committee, they had in their brief figures for 1995 and 1998 as well, but their percentage change over the

same time period was 34%. So it's a case of using the 36% from the Porcupine Mine Managers' Association as opposed to the 34% from the Ontario Mining Association.

The Ontario Mining Association also had a dollar figure for 1999, and I worked out the percentage change for that from 1995 to 1999 and it was 44.6%. So the sentence could be left as it is with a reference to that figure being one provided to the committee by the Porcupine Mine Managers' Association, or we could change it to 34% and say that that was what the Ontario Mining Association had said.

Mr Arnott: Or alternatively you could say "between 34% and 36%." Would that be another way of—

Ms Campbell: That's a compromise.

Mr Arnott: But just looking at the sentence, it doesn't really attribute it to anybody in particular.

Ms Campbell: Well, the suggestion here is that we attribute it through clarifying. So is it the committee's direction to say "between 34% and 36%"?

Mr Arnott: It would be my suggestion that we use the 34% attributed to the mining association, in that they're a larger association perhaps than the other group and might have access to more up-to-date research.

Mr Kwinter: I like the idea of the 34% to 36%. Why don't we just say "representatives of the mining industry have stated that Ontario mineral exploration expenditures have experienced a 34% to 36% decline in investment" and attribute it to the industry? Because we had the Porcupine group, we had the Ontario Mining Association. The number is between 34% and 36%, who knows? It's just an estimate on everybody's part.

The Chair: Are we agreeable to this?

Mr Arnott: Yes.

Ms Campbell: Moving on, at the bottom of page 11 there was a very small change made in the paragraph under "Universities." The word "the" has been removed from the final sentence.

On page 12, the first paragraph under "Health," the word "care" was added between "health" and "system." I think we should separate "healthcare" into two words there.

Then on page 13, the first paragraph, there were some changes made to the final sentence: "Consideration should also be given to implementing incentive programs with varied payment schedules and to recommendations made by Dr Robert McKendry."

Moving on to page 15, you'll notice that we have inserted the recommendations which were voted on and passed at the meeting on Monday.

The Chair: Any further discussion?

Mr David Christopherson (Hamilton West): No, other than to thank the researcher.

Mr Arnott: I'd just like to take one minute to read through the recommendations that the committee adopted. You don't have to read them. I'm asking for a minute of the committee's time to take a quick glance over them.

The Chair: Yes, sure.

Mr Christopherson: As long as your lips don't move when you're reading, Ted.

Mr Arnott: I need my fingers to count.

Thank you.

The Chair: OK. If there's no further discussion I'm going to need a motion to approve the amended report, including the changes on pages 3 and 10 that we made this morning. The change on page 3, Mr Christopherson, was strictly a typo whereby we changed at the bottom, "The rate has already been reduced by 30%." Then on page 10, I think you were here for that.

Mr Christopherson: I've reviewed it anyway and I was fine with all the changes.

Mr Arnott: Could you repeat that?

The Chair: Page 3, at the bottom. I think it reads—

Mr Arnott: Change the word "have" to "has."

The Chair: Yes, "has already been reduced by 30%," right.

Mr Christopherson: When we vote I would like it to be clear that it's strictly on the report part and not the recommendations we adopted two days ago.

The Chair: That's right, although they make up part of the report.

Mr Christopherson: OK, so you're going to take a vote then on the report and the recommendations?

The Chair: That's right, yes.

Mr Christopherson: We really didn't gain much for all that, did we?

Mrs Tina R. Molinari (Thornhill): A procedural question: Are we not voting now on the changes that have been made that are in fact the changes that we've discussed?

The Chair: That's right.

Mr Christopherson: The report, as amended.

The Chair: For the report, as amended right now.

Mr Christopherson: If we include the recommendations, we're not going to vote for it. So all the co-operation we did is nice, but—

Mrs Molinari: We can vote for them separately. You can vote for them—

Mr Christopherson: I asked them, and apparently not. The recommendations will form part of the committee report. We are on record as having said the other day we're OK with the report. But it's the final vote that matters. When we vote, obviously we're going to be opposed.

Mrs Molinari: For it to reflect the committee—

The Chair: First of all, we would vote on the report, as amended, with the changes on pages 3 and 10, and then we'd have a vote on the entire report, which includes the recommendations.

Mrs Molinari: Then that would force the opposition to vote against it.

The Chair: That's right.

Interjection: Unless they wanted to support it.

Mrs Molinari: Technically, could you not separate the two so that they'd give the—

Mr Kwinter: We are separating them.

The Chair: Yes, we are.

Mrs Molinari: No, by separating the report from the recommendations, so that they can vote against the recommendations and vote in favour of the report.

Mr Kwinter: Mr Chair, if I could—I don't have to speak for you; you can speak for yourself. What has happened is that we are going to vote to accept the report, as amended. After that, we then have the report, which is the amended report plus the recommendations, and we're going to vote on that. That can't be separated, because the recommendations are part of the report.

So the first thing is that we have to vote for the amendments. We then have a final report that has been amended, and that's what we're going to vote on. Because the recommendations are part of it, we will have to vote against it, but that's not a problem. You're still going to get it passed, so just do it.

Mrs Molinari: I think it's procedurally incorrect, but fine.

The Chair: I don't know if it's procedurally incorrect, but I thought it made sense, so I think we'll proceed with the amended report with the corrections on pages 3 and 10. I need a mover.

Mr Kwinter: I'll move it.

The Chair: Moved by Mr Kwinter. I'll pose the question: All those in favour? That's carried unanimously.

I'll entertain a motion to accept the report with the recommendation.

Mr Arnott: So moved.

The Chair: I'll now pose the question: All those in favour? Opposed? It carries, three to two.

I also need a motion authorizing the Chair to table the final report.

Mr Arnott: So moved.

The Chair: All those in favour? Opposed? It carries, three to two.

Mr Kwinter: Mr Chairman, on a point of clarification: Should there not be some reference to the point that this is not the final report, that there is going to be a minority report which is going to be included—

The Chair: That's right.

Mr Kwinter: —and then to table the total report, as opposed to this not being the report?

The Chair: I think we made it fairly clear that you have until March 21 to—

Mr Kwinter: I just want to make sure we have that on the record, that it's clarified.

The Chair: Yes, and that will be attached to the report itself. I took that as a given.

Mr Kwinter: OK.

The Chair: Next, we need a motion that the report be sent for translation and printing after we've received the dissenting positions from the opposition parties.

Mr Christopherson: So moved.

The Chair: All those in favour? That's carried.

I need a motion that a copy of the draft report be forwarded to the Minister of Finance.

Mrs Molinari: So moved.

The Chair: All those in favour? That's carried.

That's it, I think. There's nothing else.

Mr Kwinter: May I move adjournment?

Mr Arnott: Before that, I just want to thank the opposition members for the co-operative approach they have taken to this piece of work over the last number of weeks. We thank you very much for your participation, and thank you, Mr Chairman.

The Chair: Mr Kwinter has moved adjournment, and we are now adjourned. Thank you.

The committee adjourned at 1034.

CONTENTS

Wednesday 8 March 2000

Pre-budget consultations F-587

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Chair / Président

Mr Marcel Beaubien (Lambton-Kent-Middlesex PC)

Vice-Chair / Vice-Président

Mr Doug Galt (Northumberland PC)

Mr Ted Arnott (Waterloo-Wellington PC)

Mr Marcel Beaubien (Lambton-Kent-Middlesex PC)

Mr David Christopherson (Hamilton West / -Ouest ND)

Mr Doug Galt (Northumberland PC)

Mr Monte Kwinter (York Centre / -Centre L)

Mrs Tina R. Molinari (Thornhill PC)

Mr Gerry Phillips (Scarborough-Agincourt L)

Clerk / Greffier

Mr Tom Prins

Staff / Personnel

Ms Elaine Campbell, research officer,

Mr David Rampersad, research officer,

Research and Information Services





3 1761 11548159 0